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LOGAN

龙光集团

Logan Group Company Limited

龍光集團有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 3380 and Debt Stock Code: 40754, 40642,
40527, 40508, 40411, 40385, 40114, 5732)**

**(1) ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(2) FULFILMENT OF RESUMPTION GUIDANCE
AND
(3) RESUMPTION OF TRADING**

RESULTS HIGHLIGHTS

- Contracted sales amounted to RMB140.20 billion, representing a year-on-year increase of 16.2%.
- Revenue amounted to RMB78.29 billion, representing a year-on-year increase of 10.2%.
- Core profit^{Note 1} amounted to RMB9.942 billion. Core profit margin was 12.7%.
- Core profit attributable to owners of the Company amounted to RMB9.58 billion.
- Total asset amounted to RMB285.9 billion, representing a year-on-year increase of 17.4%.
- As at 31 December 2021, net debt-to-equity ratio was 82.1%.

^{Note 1} Core profit is equal to net profit adjusted to changes in fair value of investment properties and derivative financial instruments and the relevant deferred tax, dividend withholding tax and equity-settled share option expense.

ANNUAL RESULTS

The board of directors (the “**Board**”) of Logan Group Company Limited (the “**Company**”), together with its subsidiaries, (the “**Group**”) announces the Group’s audited consolidated results for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020. The annual result have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB’000	2020 <i>RMB’000</i>
REVENUE	5	78,292,624	71,079,729
Cost of sales		(61,181,459)	(49,747,857)
Gross profit		17,111,165	21,331,872
Other income and gains	5	2,484,835	2,107,785
Other expenses		(183,924)	(118,363)
Selling and marketing expenses		(2,170,731)	(1,672,170)
Administrative expenses		(1,675,197)	(1,867,320)
Fair value gains on investment properties, net		1,190,120	1,597,354
Fair value (losses)/gains on derivative financial instruments, net		(315,247)	218,400
Share of losses of associates		(17,696)	(28,923)
Share of losses of joint ventures		(335,014)	(19,425)
PROFIT FROM OPERATIONS		16,088,311	21,549,210
Finance costs	6	(1,298,542)	(2,051,424)
PROFIT BEFORE TAX	7	14,789,769	19,497,786
Income tax expense	8	(4,457,473)	(6,123,692)
PROFIT FOR THE YEAR		10,332,296	13,374,094
Attributable to:			
Owners of the parent		9,975,466	13,016,635
Non-controlling interests		356,830	357,459
		10,332,296	13,374,094
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (<i>RMB cents</i>)	10		
Basic		181.83	234.13
Diluted		181.26	232.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>10,332,296</u>	<u>13,374,094</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group entities	<u>479,023</u>	<u>865,243</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>10,811,319</u>	<u>14,239,337</u>
Attributable to:		
Owners of the parent	<u>10,454,489</u>	13,881,878
Non-controlling interests	<u>356,830</u>	<u>357,459</u>
	<u>10,811,319</u>	<u>14,239,337</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Investment properties		35,104,201	29,794,064
Other property, plant and equipment		176,476	159,893
Deferred tax assets		1,595,940	1,455,960
Investments in associates		4,832,770	3,488,649
Investments in joint ventures	<i>11</i>	18,566,822	8,968,781
Trade and other receivables, prepayments and other assets	<i>12</i>	863,865	4,282,980
Assets under cross-border guarantee arrangements	<i>13</i>	305,000	400,000
Cash and bank balances	<i>14</i>	1,125,794	1,829,261
Total non-current assets		<u>62,570,868</u>	<u>50,379,588</u>
CURRENT ASSETS			
Inventories		117,047,214	106,327,001
Trade and other receivables, prepayments and other assets	<i>12</i>	56,471,277	39,194,772
Tax recoverable		2,991,425	2,025,196
Assets under cross-border guarantee arrangements	<i>13</i>	9,710,243	4,547,191
Cash and bank balances	<i>14</i>	37,110,530	41,039,900
Total current assets		<u>223,330,689</u>	<u>193,134,060</u>
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	46,926,259	40,463,391
Contract liabilities		52,018,475	42,484,960
Liabilities under cross-border guarantee arrangements	<i>13</i>	10,768,008	5,376,575
Bank and other loans		20,410,515	9,665,437
Senior notes		2,345,377	7,192,358
Other current liabilities		13,112,660	6,439,252
Tax payable		9,544,505	9,149,363
Total current liabilities		<u>155,125,799</u>	<u>120,771,336</u>
NET CURRENT ASSETS		<u>68,204,890</u>	<u>72,362,724</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>130,775,758</u>	<u>122,742,312</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Liabilities under cross-border guarantee arrangements	<i>13</i>	547,040	700,631
Bank and other loans		29,115,607	23,371,878
Senior notes		19,846,343	17,933,558
Corporate bonds		9,044,000	15,536,000
Deferred tax liabilities		4,454,485	4,528,780
		<hr/>	<hr/>
Total non-current liabilities		63,007,475	62,070,847
		<hr/>	<hr/>
Net assets		67,768,283	60,671,465
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		450,569	436,727
Perpetual capital securities		2,363,346	2,363,346
Reserves		45,080,701	39,603,161
		<hr/>	<hr/>
Non-controlling interests		47,894,616	42,403,234
		19,873,667	18,268,231
		<hr/>	<hr/>
Total equity		67,768,283	60,671,465
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NOTES

31 December 2021

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in property development, property operation, development management and urban redevelopment business in the People's Republic of China (the "PRC" or "Mainland China").

In the opinion of the directors, Junxi Investments Limited is the immediate holding company of the Company and the ultimate controlling party of the Company is Ms. Kei Perenna Hoi Ting, who is a non-executive director of the Company and has resigned on 31 March 2022.

2. BASIS OF PRESENTATION

From the reporting date to 7 August 2022, the Group did not pay the interest of the following senior notes (the "Senior Notes"): 4.7% senior notes due 2026 issued on 28 June 2021, 4.25% senior notes due 2025 issued on 31 March 2021, 4.5% senior notes due 2028 issued on 6 January 2021, 5.75% senior notes due 2025 issued on 7 January 2020 and 6.5% senior notes due 2023 issued on 9 July 2019. The outstanding principal of the Senior Notes amounted to US\$1.6 billion (RMB10.81 billion) and the aggregate unpaid interest amounted to US\$41.8 million (RMB282.5 million). The non-payment of interest for the Senior Notes may lead to demand for acceleration of repayment.

As of 31 December 2021, the Group recorded net current assets of RMB68,205 million, and the Group's current portion of interest-bearing bank and other borrowings amounted to RMB35,869 million, while its unrestricted cash and cash equivalents amounted to RMB16,992 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 the aforesaid, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and business 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:

- (a) The Group is actively negotiating with financial institutions, holders of senior notes and secured debt and corporate bond investors on the renewal of certain borrowings, senior notes, secured debt and corporate bonds of the Company.
- (b) The Group will continue to implement measures to accelerate the pre-sale and sale of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables.
- (c) The Group will continue to dispose of its assets or urban redevelopment projects when needed.
- (d) 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 the 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 abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations or financial obligations upon agreement of the holistic liability management solution as and when they fall due in the foreseeable future. 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:

- (a) the successful renewal of its debts including borrowings, senior notes, borrowings subject to guarantees and corporate bonds, as and when needed, and the implementation of Holistic Liability Management Solution (as defined in the Company's announcement dated 7 August 2022);
- (b) the successful and timely implementation of the plans to accelerate the pre-sale and sale of properties under development and completed properties, speed up the collection of outstanding sales proceeds and other receivables, and control costs and control capital expenditure so as to generate adequate net cash inflows; and
- (c) the successful disposal of assets or urban redevelopment projects, as and when needed.

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.

UniTax Prism (HK) CPA Limited ("UniTax") has conducted the following audit procedure on the going-concern assumption:

- (1) Reviewed the Group's 15-month cashflow forecast for the period from January 2022 to March 2023 as prepared by the management of the Company;
- (2) Set different scenarios to assess whether the liquidity problem of the Group exists or not;
- (3) Assessed the assumption used in the cashflow forecast, such as growth rate of cash received from pre-sales on sales of properties;
- (4) Obtained the breakdown of Group's bank balances and then checked bank statements with material bank balances of the Company's subsidiaries shown in the breakdown of Group's bank balances;
- (5) Obtained the list of disposal assets and urban redevelopment projects and ascertained the estimated value by obtaining external valuation report or internal assessment; and
- (6) Obtained the renewal agreements and documents executed after the year end in relation to onshore bank loans and corporate bonds, and reviewed the extension plan of offshore bank loans.

The Audit Committee agrees with UniTax's opinion on the going concern issue and that the disclosure is adequate for the public to assess the Company's liquidity position.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 and derivative financial instruments 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.

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</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The adoption of above revised HKFRSs has had no significant financial effect on the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the property development segment: develops and sells residential properties and retail shops and office units and sells land held for development;
- (b) the development management segment: engages in construction of office premises and residential buildings and provides decoration services for external customers and for group companies, and provides interior decoration services to property buyers;
- (c) the urban redevelopment segment: engages in the sale of land and properties held for urban redevelopment; and
- (d) the property operation segment: leases office units, retail shops and hotel to generate rental income and to gain from the appreciation in the properties’ values in the long term.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of profits or losses of joint ventures and associates, fair value gains or losses on investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement. Segment assets and liabilities are not reported to the Group’s chief operating decision maker regularly.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the reportable segments is presented below.

	Property development <i>RMB'000</i>	Development management <i>RMB'000</i>	Urban redevelopment business <i>RMB'000</i>	Property operation <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021					
Revenue from external customers	66,677,321	8,498,285	2,904,631	212,387	78,292,624
Inter-segment revenue	—	13,567,678	—	45,776	13,613,454
Reportable segment revenue	<u>66,677,321</u>	<u>22,065,963</u>	<u>2,904,631</u>	<u>258,163</u>	<u>91,906,078</u>
Reportable segment profit	<u>10,155,876</u>	<u>2,803,362</u>	<u>1,741,797</u>	<u>197,873</u>	<u>14,898,908</u>
	Property development <i>RMB'000</i>	Development management <i>RMB'000</i>	Urban redevelopment business <i>RMB'000</i>	Property operation <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2020					
Revenue from external customers	54,858,387	10,093,142	6,019,115	109,085	71,079,729
Inter-segment revenue	—	14,677,889	—	65,272	14,743,161
Reportable segment revenue	<u>54,858,387</u>	<u>24,771,031</u>	<u>6,019,115</u>	<u>174,357</u>	<u>85,822,890</u>
Reportable segment profit	<u>11,812,363</u>	<u>5,116,915</u>	<u>4,793,051</u>	<u>126,034</u>	<u>21,848,363</u>

Information about a major customer

During the years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Reconciliation of reportable segment revenue and profit or loss

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Reportable segment revenue	91,906,078	85,822,890
Elimination of inter-segment revenue	(13,613,454)	(14,743,161)
Consolidated revenue	<u>78,292,624</u>	<u>71,079,729</u>
Profit		
Reportable segment profit	14,898,908	21,848,363
Elimination of inter-segment profits	(1,312,105)	(3,687,578)
Reportable segment profit derived from the Group's external customers	13,586,803	18,160,785
Other income and gains	2,484,835	2,107,785
Other expenses	(183,924)	(118,363)
Depreciation	(57,081)	(60,100)
Finance costs	(1,298,542)	(2,051,424)
Share of losses of associates	(17,696)	(28,923)
Share of losses of joint ventures	(335,014)	(19,425)
Net increase in fair value of investment properties	1,190,120	1,597,354
Net (decrease)/increase in fair value of derivative financial instruments	(315,247)	218,400
Unallocated head office and corporate expenses	(264,485)	(308,303)
Consolidated profit before tax	<u>14,789,769</u>	<u>19,497,786</u>

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Property development*	66,970,095	55,108,708
Development management income	8,536,451	10,117,866
Urban redevelopment business income	2,904,631	6,019,115
Revenue from another source		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	219,032	116,119
	<u>78,630,209</u>	<u>71,361,808</u>
Less: Sales related taxes	(337,585)	(282,079)
	<u><u>78,292,624</u></u>	<u><u>71,079,729</u></u>

* The invoiced amount billed to buyers of properties was RMB72,945,395,000 (2020: RMB60,529,087,000), including value-added tax of RMB5,975,300,000 (2020: RMB5,420,379,000).

Other income and gains

An analysis of the Group's other income and gains is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank interest income	567,488	430,051
Interest income on amounts due from associates and joint ventures	1,052,107	1,309,570
Forfeiture income on deposits received	74,983	42,733
Government subsidies	42,011	9,528
(Loss)/gain on disposal of subsidiaries, net	(4,656)	637
Gain on deemed disposal of subsidiaries upon loss of control, net	24,386	39,848
Gain on disposal of joint ventures, net	163,100	—
Gain on remeasurement of pre-existing interests in joint ventures to the date of obtaining control and acquisition	273,155	—
Gain on bargain purchase of subsidiaries, net	—	38,146
Foreign exchange differences, net	38,256	—
Others	254,005	237,272
	<u><u>2,484,835</u></u>	<u><u>2,107,785</u></u>

Revenue from contracts with customers

Disaggregated revenue information

Year ended 31 December 2021

	Property development RMB'000	Development management RMB'000	Urban redevelopment business RMB'000	Total RMB'000
<i>Timing of revenue recognition:</i>				
Goods transferred at a point in time	64,001,631	—	2,904,631	66,906,262
Goods transferred over time	2,675,690	—	—	2,675,690
Services transferred over time	—	8,498,285	—	8,498,285
Total revenue from contracts with customers	<u>66,677,321</u>	<u>8,498,285</u>	<u>2,904,631</u>	<u>78,080,237</u>

Year ended 31 December 2020

	Property development RMB'000	Development management RMB'000	Urban redevelopment business RMB'000	Total RMB'000
<i>Timing of revenue recognition:</i>				
Goods transferred at a point in time	54,858,387	—	6,019,115	60,877,502
Services transferred over time	—	10,093,142	—	10,093,142
Total revenue from contracts with customers	<u>54,858,387</u>	<u>10,093,142</u>	<u>6,019,115</u>	<u>70,970,644</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other loans and other borrowing costs	2,762,310	2,355,189
Interest on senior notes	1,320,391	1,887,659
Interest on corporate bonds	<u>1,013,974</u>	<u>1,234,666</u>
Total interest expense on financial liabilities not at fair value through profit or loss	5,096,675	5,477,514
Less: Interest capitalised	<u>(3,798,133)</u>	<u>(3,426,090)</u>
	<u><u>1,298,542</u></u>	<u><u>2,051,424</u></u>

7. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of properties sold	54,417,225	41,045,790
Cost of services provided	6,764,234	8,702,067
Depreciation	199,888	107,013
Less: Amount capitalised	<u>(142,808)</u>	<u>(46,913)</u>
	<u>57,080</u>	<u>60,100</u>
Lease payments not included in the measurement of lease liabilities	24,605	29,947
Auditor's remuneration	8,000	7,800
Employee benefit expenses (including directors' remuneration):		
Directors' fee	3,623	3,663
Salaries and other staff costs	1,607,370	1,312,089
Equity-settled share option expense	36,551	76,637
Pension scheme contributions	144,304	48,584
Less: Amount capitalised	<u>(337,142)</u>	<u>(594,621)</u>
	<u>1,454,706</u>	<u>846,352</u>
Foreign exchange differences, net	<u><u>(38,256)</u></u>	<u><u>28,686</u></u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current charge for the year:		
PRC corporate income tax ("CIT")	4,104,426	5,138,145
PRC land appreciation tax ("LAT")	1,249,335	1,539,964
Overprovision in prior years, net:		
PRC CIT	<u>(664,381)</u>	<u>(18,231)</u>
	4,689,380	6,659,878
Deferred	<u>(231,907)</u>	<u>(536,186)</u>
Total tax charge for the year	<u><u>4,457,473</u></u>	<u><u>6,123,692</u></u>

9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim dividend — HK49 cents (2020: HK43 cents) per ordinary share	2,388,385	2,140,142
Proposed final dividend — Nil (2020: HK58 cents) per ordinary share	<u>—</u>	<u>2,693,469</u>
	<u><u>2,388,385</u></u>	<u><u>4,833,611</u></u>

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,527,768,000 (2020: 5,515,607,000) in issue less the weighted average number of shares held under the share award scheme during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent	9,975,466	13,016,635
Distribution related to perpetual capital securities	(158,079)	(167,571)
	<u>9,817,387</u>	<u>12,849,064</u>
Profit used in the basic and diluted earnings per share calculations	<u>9,817,387</u>	<u>12,849,064</u>
	Number of shares	
	2021	2020
	'000	'000
Shares		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	5,399,202	5,488,099
Effect of dilution — weighted average number of ordinary shares: Share options	<u>16,874</u>	<u>41,663</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>5,416,076</u>	<u>5,529,762</u>

11. INVESTMENTS IN JOINT VENTURES

Property developments are large and complex transactions. The formation of joint ventures to combine the expertise and resources of different partners to develop substantive property projects is a very common business model in China and beyond for property developments. To address the increasing land premium in public bidding, the Group has started in 2016 to secure land by teaming up with several resourceful joint venture partners (together, the “JV partners”). The Group’s joint ventures are mainly engaged in project development and urban redevelopment projects in Shenzhen, Dongguan, Zhuhai and Foshan. The JV partners have substantial experience and extensive networks in property development, property construction and urban development in China. The Group has benefited from its co-operation with the JV partners and the joint ventures with them, allowing the Group to gradually expand in market size. As such, the Company’s position on the issue set out in Note 18(iv)(2) is that there was commercial basis for co-operation between the Company and the JV partners and the co-operation was authentic. Property developments require significant fundings initially and throughout the construction of the properties. To protect their interests as lenders, it is very common and normal industry practice for financial institutions and banks in China to request a listed issuer as a party to the joint venture to guarantee the repayment obligations of the joint venture. In this connection, as further detailed in Note 16(iii) and Note 19, the Group has provided guarantees for the borrowings of various joint ventures, associates and a joint venture partner (in the case when the borrowings were used for the project development of the joint ventures in which the Group has an interest and the joint venture partner entered into counter-guarantee agreements with the Group).

UniTax has carried out the following audit procedure with respect to the JV partners:

- (1) obtained legal opinion from independent third-party counsel to confirm that each of the JV partners is not a connected person of the Company;
- (2) conducted background investigations (including face-to-face interviews or questionnaires) on the JV partners to understand and confirm their independence and experience in the property development and other industries;
- (3) conducted checks on “工商局登記” to verify the relationship between the Group and the JV partners to ascertain the shareholding of the Group in each of them and compared the disclosure and the scope of consolidation of the Group; and
- (4) obtained and reviewed all the constitutional and related documents of the entities formed between the Group and the JV partners.

The Audit Committee has considered the Company’s position set out above with respect to the JV partners and discussed with UniTax the audit work performed by UniTax. The Audit Committee considers that it is reasonable for the Company to have cooperated with the JV partners, and agrees that the JV partners are not connected persons of the Company for the purpose of the Chapter 14A.

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

The Group’s trade receivables arise from the sale of properties, leasing of investment properties and provision of construction and decoration services.

Consideration in respect of sale of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. Consideration in respect of provision of construction and decoration services is payable by the customers in accordance with the terms of the related construction and decoration agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	2,085,030	737,062
31 days to 90 days	833,356	289,126
91 to 180 days	498,256	5,134
181 to 365 days	873,335	7,621
	<u>4,289,977</u>	<u>1,038,943</u>

13. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During 2021 and 2020, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) and offshore funding (i.e. in Hong Kong) have been used as a pledge against advances to offshore (i.e. in Hong Kong) and onshore (i.e. in the PRC) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, funds are advanced to the Group's subsidiaries in Hong Kong by depositing a certain amount of funds in the relevant financial institutions by the Group's subsidiaries in the PRC or vice versa. The net cost of such arrangements is less than 1% per annum of the total funds advanced.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets under cross-border guarantee arrangements	10,015,243	4,947,191
Portion classified as current assets	<u>(9,710,243)</u>	<u>(4,547,191)</u>
Non-current portion	<u>305,000</u>	<u>400,000</u>
Liabilities under cross-border guarantee arrangements	11,315,048	6,077,206
Portion classified as current liabilities	<u>(10,768,008)</u>	<u>(5,376,575)</u>
Non-current portion	<u>547,040</u>	<u>700,631</u>

14. CASH AND BANK BALANCES

As at 31 December, 2021, the total cash and bank balances amounted to RMB38,236 million, of which:

- (a) deposits in the amount of RMB12,711 million were pledged or restricted for bank and other loans;
- (b) deposits in the amount of RMB7,398 million are placed in designated bank accounts and can only be applied in the designated property development projects in accordance with the applicable prevailing policies and regulations;
- (c) deposits in the amount of RMB1,135 million were pledged or restricted in relation to project development such as mortgage loans granted to the property purchasers; and
- (d) unrestricted cash and bank balances amounted to RMB16,992 million.

With respect to the audit work in connection with the opening balance, UniTax has

- (i) obtained a detailed breakdown of the Group's bank balances as at 1 January 2021 and compared with the published balances of the Group to check for any inconsistency;
- (ii) inspected the Group's material payment vouchers covering the period from 1 January 2021 to 28 February 2021 for any suspicious payments without commercial substance;
- (iii) inspected the banks statements covering the period from 1 January 2021 to 28 February 2021; and
- (iv) performed bank confirmations audit procedures for bank balances as at 1 January 2021.

UniTax has carried out the following audit procedure with respect the Group's cash and bank balances at the year end:

- (1) conducted bank confirmations and inquiries on all of the Group's material bank balances; the confirmation requests were sent directly by UniTax to the banks and the banks returned the confirmations directly to UniTax, in each case, with no involvement of the Company; and
- (2) obtained bank statements as of the year end to ascertain the restricted and unrestricted cash and bank balances.

The Company's position on the issue set out in Note 18(iv)(3) is that the Group's cash and bank balance at the end of 2021 was generated in the Group's ordinary course of business and operations and has been disclosed in accordance with the HKFRS.

To verify that the Group's cash and bank balance was generated in the Group's ordinary course of business and operations, UniTax has:

- (1) inspected the Group's material bank balances and the relevant bank statements received from the banks;
- (2) inspected the Group's material payment vouchers, covering the period from 1 January 2022 to 28 February 2022; and

(3) inspected the ledger of fund inflow to the relevant bank accounts for December 2021.

UniTax did not identify any irregularities in the Group's cash and bank balance after completing the abovementioned audit work.

The Audit Committee has considered the Company's position and discussed with UniTax the audit work performed by UniTax. The Audit Committee is satisfied with the collection rate of bank confirmations and agrees with the Company's position and that the restricted amount has been adequately disclosed.

15. TRADE AND OTHER PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current to 30 days	4,702,809	5,658,896
31 days to 90 days	3,686,768	5,891,352
91 to 180 days	2,724,916	2,984,200
181 to 365 days	5,443,110	3,862,533
Over 365 days	5,833,328	3,286,398
	<u>22,390,931</u>	<u>21,683,379</u>

16. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (<i>notes (i) and (ii)</i>)	45,121,006	38,446,624
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures, associates and joint ventures partners provided by the Group (<i>note (iii)</i>)	17,024,502	12,041,617
Counter-indemnities for guarantees issued in respect of various obligations of the Group (<i>note (iv)</i>)	400,000	799,000
	<u>62,545,508</u>	<u>51,287,241</u>

The financial guarantee contracts are measured at the higher of the expected credit loss ("ECL") allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.

Notes:

- (i) As at 31 December 2021, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

- (ii) The fair value of the guarantees at initial recognition and the ECL allowance are not significant as the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.
- (iii) (a) As at 31 December 2021, the Group provided seven guarantees to the extent of RMB8,583,361,000 (US\$1,349,000,000) in respect of the borrowings of entities controlled by a joint venture partner. The joint venture partner is an independent third party. The borrowings have been used for the project development of the joint venture partner's joint ventures with the Group. The joint venture partner entered into counter-guarantee agreements with the Group, pursuant to which the joint venture partner provided counter-guarantees to the Group in respect of guarantees provided by the Group to the banks and other lenders to entities controlled by the joint venture partner. The counter-guarantees are secured by property projects, the valuation of which is sufficient to cover the guarantee amount of RMB8,583,361,000 (US\$1,349,000,000) provided by the Group.

As such, the Company's position on the issue set out in Note 18(iv)(5) is that there is commercial basis for the provision of such guarantees and its treatment of such guarantees is compliant with the HKFRS. Under the requirements of HKFRS 9 "Financial Instruments: Recognition and Measurement", when the fair value of the relevant guarantees at initial recognition and the ECL allowance is not significant.

To further enhance the transparency of the financial statements of the Group, the management of the Company has made additional disclosure in relation to the guarantees in respect of the borrowings of entities controlled by the joint venture partner. The following comparative figures are re-presented to conform to prior year's presentation as the Directors consider that the re-presentation is more meaningful.

As at 31 December 2020, guarantees provided by the Group to banks and other lenders in connection with credit facilities granted to the entities controlled by the joint venture partner amounted to approximately RMB5,474,094,000.

The joint venture partner entered into counter-guarantee agreements with the Group, pursuant to which the joint venture partner provided counter-guarantees to the Group in respect of the additional guarantees. The counter-guarantees were secured by property projects, the total fair value of which was sufficient to cover the amount of the guarantees.

No comparative information as at 1 January 2021 is disclosed as the re-presentation does not have any impact on the consolidated financial statements.

UniTax has carried out the following audit procedure with respect to the guarantees granted in connection with the borrowings of entities controlled by the joint venture partner:

- (1) obtained legal opinion from independent counsel to confirm that the JV partner is not a connected person of the Company;
- (2) conducted background check on the JV partner, reviewed replies from the joint venture partner, to ascertain the independence;
- (3) conducted inquiry on the JV partner to confirm the balance of the secured loan;
- (4) reviewed the material guarantee documents provided by the Group and ascertained the relevant guarantee amount committed by the Group;
- (5) obtained valuation reports relating to the fair value of the financial guarantees provided by, and related counter-guarantees provided to, the Group, which were performed by external valuer engaged by the Group; and
- (6) reviewed the valuations and separately engaged independent valuation specialists to perform a second valuation on the above valuation reports provided by the Group.

With respect to the audit work in connection with the opening balance, UniTax has (i) inspected and reviewed the material guarantee documents as at 1 January 2021; (ii) obtained confirmation from the joint venture partner on the guaranteed amount as at the opening balance; (iii) reviewed the valuations on the fair value of the financial guarantees performed by the external valuer engaged by the Group; and (iv) separately engaged independent valuation specialists to perform a second valuation on the above valuation reports.

The Audit Committee has considered the Company's position and discussed with UniTax the audit work performed by UniTax. The Audit Committee agrees that the accounting treatments are compliant with the HKFRS, and the Company's disclosure is adequate under the requirement of the HKFRS.

- (b) The Company's position on the issue set out in Note 18(iv)(4) is that the Company's disclosure in the 2020 annual report and the 2021 interim report with respect to the guarantees provided to joint ventures and associates is compliant with the HKFRS and the requirements of HKFRS 9 "Financial Instruments: Recognition and Measurement" and HKFRS 7 "Financial Instruments: Disclosures".

UniTax has carried out the following audit procedure with respect to the guarantees provided to joint ventures and associates:

- (1) performed bank confirmations on the material and significant joint ventures and associates to confirm the amount of borrowings; and obtained corporate credit report checks on the subsidiaries of the Company to confirm the amount of guarantee provided by the Group to ensure completeness of the amount of financial guarantees;
- (2) obtained valuation reports related to the fair value of these financial guarantees provided by the Group, which were performed by the external valuer engaged by the Group; and
- (3) reviewed the valuations and separately engaged independent valuation specialists to perform a second valuation on the above valuation reports provided by the Group.

With respect to the audit work in connection with the opening balance, UniTax has (i) inspected and reviewed the material guarantee documents as at 1 January 2021; (ii) reviewed the valuations on the fair value of the financial guarantees performed by the external valuer engaged by the Group; and (iii) separately engaged independent valuation specialists to perform a second valuation on the above valuation reports.

The Audit Committee has considered the Company's position and discussed with UniTax the audit work performed by UniTax. The Audit Committee agrees that the accounting treatments are compliant with the HKFRS, and the Company's disclosure is adequate under the requirement of the HKFRS.

- (iv) As at 31 December 2021, the Group provided counter-indemnities to certain banks or financial institutions for guarantees issued in respect of various obligations of the Group.

17. MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED CONSOLIDATED RESULTS

The material differences between the financial information disclosed in this announcement and the figures disclosed in the announcement of unaudited results for the year ended 31 December 2021 dated 31 March 2022 (“Unaudited Consolidated Results Announcement”) are as follows:

	<i>Note</i>	2021 RMB'000 (Unaudited)	2021 RMB'000 (Audited)	Variance RMB'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Finance costs	<i>(a)</i>	(1,277,711)	(1,298,542)	(20,831)
Cost of sales	<i>(b)</i>	(61,156,459)	(61,181,459)	(25,000)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Inventories	<i>(a)</i>	117,068,045	117,047,214	(20,831)
Trade and other receivables, prepayments and other assets	<i>(b)</i>	56,496,277	56,471,277	(25,000)

Notes:

- (a) As a construction project in the PRC was completed in March 2021, the bank loan interests continued to be capitalised after completion of the project. As a result, the additional capitalised finance cost of RMB20 million was reclassified from inventory to finance costs.
- (b) Certain projects in the PRC were completed in accordance with the completion stage of that project for the year ended 31 December 2021. As such, the related prepayment of construction costs of RMB25 million was recognised as costs of the relevant projects.

18. EVENTS AFTER THE REPORTING PERIOD

- i. On 26 January 2022, the Company entered into a subscription agreement (the “Securities Subscription Agreement”) for the issue of equity-linked securities with a principal amount of HK\$1,950,000,000 (equivalent to approximately RMB1,578,000,000). The securities are interest-bearing at 6.95% per annum and the interest is payable semi-annually in arrears. The maturity date of the securities is 4 August 2026 unless earlier redeemed in accordance with the terms the Securities Subscription Agreement. Closing of the Securities Subscription Agreement took place on 4 February 2022 and further details of the Securities Subscription Agreement are set out in the Company’s announcement dated 27 January 2022.
- ii. In March and April 2022, the Group obtained approval from holders of certain of the Group’s corporate bonds with an aggregate principal amount of RMB4,836,000,000 for the extension of the maturity dates for another 15 months.
- iii. Subsequent to the end of the reporting period, the credit rating issued by certain credit rating agencies had downgraded the Group’s rating. The said downgrading may constitute early repayment of certain bank loans.
- iv. On 11 May 2022, Ernst & Young (“EY”) resigned as the auditor of the Company. In this connection, it stated that its work had continued to be delayed as a result of COVID-19 and there were a number of key outstanding matters and information. As at 11 May 2022, the outstanding valuation reports and external confirmations were mainly investment property and other property valuation reports, bank confirmations in certain cities and other confirmations from suppliers and third parties. During the audit of the 2021 results, the Company has provided all the outstanding items and information to UniTax.

UniTax considered that the outstanding matters and information were addressed on the following basis:

- (a) UniTax received all the valuation reports which were outstanding as at 11 May 2022;
- (b) audit confirmations based on UniTax’s sample selection on different accounting items have been sent out; and
- (c) UniTax received a cashflow forecast for the period from 1 January 2022 to 31 March 2023 prepared by the management of the Group.

In its resignation letter, EY mentioned that it had received an email from an unnamed source containing allegations in relation to the Group. These issues, the audit work carried out by UniTax, the Company’s position and the view of the Audit Committee on each of the issues are set out in the following notes of the 2021 financial statements.

- (1) Note 2 on the issue as to whether the Company has the basis for the assumption of going concern in the preparation of the consolidated financial statements;
- (2) Note 11 on the issue as to whether there was commercial basis for the co-operation with the JV partners (as defined in Note 11 above) who are non-listed property developer and the commercial substance of the relevant joint ventures;

- (3) Note 14 on the issue as to whether the Group's cash and bank balance at the year end was accurate or may have been inflated through deposits placed by third parties at year-end for a number of days or pledging of fixed deposit to banks and channelling third-party borrowings to the Group and whether it was restricted;
 - (4) Note 16 and Note 19 on the issue as to whether the Company has properly disclosed the amount of guarantees provided by the Group in connection with the borrowings of its joint ventures, associates and joint ventures partners which were rumoured to be in the range of US\$2 billion to US\$3 billion and whether it was disclosed in the 2021 interim results and 2020 annual report; and
 - (5) Note 16(iii) and Note 19 on the issue as to whether the Company has disclosed the guarantee provided by the Group in connection with the borrowings of a joint venture partner which was rumoured to be US\$1.35 billion and whether it was disclosed in the 2021 interim results and 2020 annual report and whether there was commercial basis in providing such guarantee.
- v. From the reporting date to 7 August 2022, the Group did not pay the interest of the following senior notes (the "Senior Notes"): 4.7% senior notes due 2026 issued on 28 June 2021, 4.25% senior notes due 2025 issued on 31 March 2021, 4.5% senior notes due 2028 issued on 6 January 2021, 5.75% senior notes due 2025 issued on 7 January 2020 and 6.5% senior notes due 2023 issued on 9 July 2019. The outstanding principal of the Senior Notes amounted to US\$1.6 billion (RMB10.81 billion) and the aggregate unpaid interest amounted to US\$41.8 million (RMB282.5 million). The non-payment of interest for the Senior Notes may lead to demand for acceleration of repayment. In line with its holistic management of its offshore debts and fair treatment of all creditors, the Company would consider suspension of payment with respect of the other USD denominated senior notes.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 16.

The credit risk of the Group's other financial assets, which mainly comprise short-term deposits, other receivables and amounts due from related parties, joint ventures and associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The credit risk of the Group's trade receivables, contract assets, other receivables, amounts due from related parties, non-controlling shareholders, joint ventures and associates, assets under cross-border guarantee arrangements, cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Except for trade receivables and contract assets which apply the simplified approach in calculating ECL, the credit quality of other financial assets measured at amortised cost is considered to be “normal” as 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. Hence, they are all classified under stage 1 for measurement of ECLs. The loss allowance for all financial assets measured at amortised cost and contract assets were not significant as at 31 December 2021 and 2020.

Guarantees given to banks and other lenders in connection with credit facilities granted to associates, joint ventures, joint venture partners and in respect of mortgage facilities provided for certain purchasers of the Group’s properties with an aggregate amount of RMB72,279,666,000 (2020: RMB68,806,229,000) is considered to be “normal” as there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Hence, they are all classified under stage 1 for measurement of ECLs. With respect to the audit work carried out by UniTax, please refer to the audit work performed by UniTax set out in note 16(iii)(b)(2).

Reconciliation table between Note 16 and Note 19

	2021		2020	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Note 16</i>	<i>Note 19</i>	<i>Note 16</i>	<i>Note 19</i>
	<i>(Note 1)</i>			<i>(Note 2)</i>
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group’s properties	45,121,006	45,121,006	38,446,624	38,446,624
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures, associates and joint venture partners provided by the Group	17,024,502	27,158,660	12,041,617	30,359,605
Counter-indemnities for guarantees issued in respect of various obligations of the Group	400,000	—	799,000	—
	<u>62,545,508</u>	<u>72,279,666</u>	<u>51,287,241</u>	<u>68,806,229</u>

Note:

- As at the end of the reporting period, the Group’s total financial guarantees amounted to RMB62.5 billion. Details of these financial guarantees have been set out in Note 16 above. The relevant total amount represents the quantitative data on the risk exposure arising from these financial guarantees, and the relevant amounts have been measured using expected credit impairment allowances.
- In the 2020 annual report, the maximum exposure in respect of financial guarantees in the amount of RMB45.0 billion as disclosed in the Company’s 2020 annual report covered:
 - guarantees of RMB38.4 billion in respect of mortgage facilities provided for certain purchasers of the Group properties, and

- (2) guarantees of RMB6.56 billion given to banks and other lenders in connection with credit facilities granted to joint ventures, associates and joint ventures partners.

In 2020, only guarantees which the management considered the Group had potential risks when they were called on had been disclosed and included in the amount of RMB45.0 billion in the Company's 2020 annual report.

In 2021, given the changes in the macro environment in the property sector, the management has reassessed the situation and applied a stricter standard on disclosure to present the maximum exposure, regardless of the size of the relevant risk if the guarantee is called on. On this basis, as at 31 December 2021, the maximum exposure was RMB72.3 billion.

For the purpose of presenting information that is comparable, the management also re-presented the maximum exposure in respect of financial guarantees as at 31 December 2020 from RMB45.0 billion to RMB68.8 billion on the same basis. The re-presented amount of RMB68.8 billion for the year ended 31 December 2020 covers:

- (1) guarantees of RMB38.4 billion in respect of mortgage facilities provided for certain purchasers of the Group's properties,
- (2) guarantees of RMB5.47 billion to the banks and other lenders to entities controlled by the joint venture partner, and
- (3) guarantees of RMB24.9 billion given to banks and other lenders in connection with credit facilities granted to joint ventures, associates and other joint venture partners.

The main reason for the difference in the maximum exposure of financial guarantees in 2020 annual report and the 2021 annual results is due to the significant changes in the real estate market in 2021, and the Company has applied a stricter standard on disclosure to present the maximum exposure of financial guarantees as at 31 December 2021. For the purpose of presenting information that is comparable, on the same basis is represented the maximum exposure in respect of financial guarantees as at 31 December 2020.

UniTax has reviewed the revised maximum exposure of all financial guarantees provided by the Company as at 31 December 2021 and 31 December 2020 of RMB72.3 billion and RMB68.8 billion, respectively.

The difference between the guarantee amount of RMB68.8 billion, and RMB45.0 billion as at 31 December 2020 (as shown in the Company's 2020 annual report) was RMB23.8 billion (that is, the difference between RMB68.8 billion and RMB45.0 billion). The difference is accounted for by:

- (1) guarantees of RMB5.47 billion to the banks and other lenders to entities controlled by the joint venture partner, and
- (2) guarantees of RMB18.3 billion given to banks and other lenders in connection with credit facilities granted to joint ventures, associates and other joint venture partners.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

Opinion

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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 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 RMB35,869 million, while its unrestricted cash and cash equivalents amounted to RMB16,992 million. Subsequent to the end of the reporting period, certain credit rating agencies had downgraded the Group's rating. The said downgrading may trigger certain terms and conditions that cause early repayments of certain bank loans. This condition, along with the current situation as set forth in note 2, which indicates 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 on account of this matter.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the “**Board**”), I hereby present the annual results of the Group for the year ended 31 December 2021 (the “**Year**”).

BUSINESS REVIEW

During 2021, the global economy as a whole was in a recovery cycle despite the ongoing global outbreak of novel coronavirus pandemic (COVID-19). In the face of a complex international environment, the Chinese Central Government coordinated the prevention and control of both the pandemic and the economic and social development, and continued to foster growth in effective domestic demand with various vigorous measures, driving China's economy to achieve positive growth.

In 2021, the Group continued to focus on China's most valuable core metropolis such as Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Region. Sales of over RMB10 billion were recorded in Shenzhen, Foshan, Huizhou, Nanning and the Yangtze River Delta Region metropolitan area, demonstrating the advantages of our city penetration strategy. At the same time, the Group's two benchmarking projects in Singapore, The Florence Residence (龍光·悦湖苑) and Stirling Residences (龍光·尚景苑), have benefited from their geographical location with achieving strong sales. Among them, nearly 1,260 units in Stirling Residences (龍光·尚景苑) which are expected to be completed and delivered in 2022 have been sold out. Over 90% of the total of 1,410 units of The Florence Residence (龍光·悦湖苑) at Hougang MRT Station have already been sold. Looking forward to 2022, the Group expects the sale of the luxurious seaside real estate located in Hong Kong Island and Logan • One Splendid Park (深圳錦綉公園壹號) located in Shenzhen OCT.

Urban redevelopment projects of the Group serve as the main source of the Group's premium land bank. The Group's professional urban redevelopment team has an extensive understanding of local policies as well as urban planning for industries and the population of the Guangdong-Hong Kong-Macao Greater Bay Area with noticeable competitive strengths on differentiation.

The Group continued to improve its product competitiveness in 2021. Many of the Group's projects have received awards, including “2021 Italy A' Design Award”, “2021 IDPA Japan Design Award” and “TITAN Property Awards 2021 - Platinum”. The Group also ranked 15th in “Top 100 China Real Estate Enterprises in 2021” by EH Consulting.

The Group made a breakthrough in its commercial operation business during the Year with the grand openings of Shenzhen Guangming Blue Whale World and Nanning Blue Whale World. They have become major transportation hub shopping center landmarks in the area proving the Group's commercial operation capability.

The Group is committed to becoming a corporate citizen widely recognized by customers, employees, partners and the community. In 2021, Morgan Stanley Capital International (MSCI), a world-renowned index compilation company, released its latest ESG (Environmental, Social and Governance) rating report, which upgraded the Group to a “BBB” rating and the Group’s sustainability capability continues to be recognized by the international capital markets.

In terms of brand building and corporate awards, the Group has been awarded the “2021 China Real Estate Rural Revitalization Model Enterprise”, the “2021 Social Responsibility Contribution Enterprise” awarded by Southern Daily News, the “2021 ESG Pioneer Enterprise” awarded by International Finance News of People’s Daily News, “ESG Leading Model Enterprise” by Hexun.com, the “2021 Social Responsibility Enterprise Award” awarded by Boao Forum, the “2021 Urban Operation Benchmark Enterprise” by China National Radio, the “Financial Stability Award for China Real Estate Listed Companies” by ifeng.com and the “2021 Good Life Service Provider” awarded by China Business News.

FUTURE PROSPECTS

The Group will continue to focus and establish its position in the Hong Kong-Macao Greater Bay Area and Yangtze River Delta Region metropolitan area, will implement measures to accelerate the sale of properties under development and completed properties and the collection of outstanding sale proceeds and other receivable, dispose of its assets when needed, and control administrative costs and capital expenditure, to maintain operational stability and sustainability. The Group will strive to enhance the overall product competitiveness of different projects and continue to uphold its philosophy of “quality builds a brand” and incessantly strengthen its market competitiveness and penetration, so as to continue to create long-term value to investors.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I express my heartfelt gratitude to all our shareholders, investors, partners, customers and the community for their trust and support. The Group will continue to strive for quality, sustainable and steady operation by following our transparent, healthy, and impartial development value.

Kei Hoi Pang

Chairman

Hong Kong

23 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

In 2021, the global pandemic prevention and control situation remained extremely complex, with Hong Kong, Shanghai, Guangdong, Shaanxi, Zhejiang and other regions coming under great pressure from pandemic prevention and control. Under the pressure of normalized pandemic prevention and control, the total sales in 2021 was affected by anti-epidemic restrictions and decline in investors' confidence. However, the Company responded by making swift adjustment to its online and offline marketing strategies and flexibly laid-out its available resources in the cities where it had presence so as to minimize the adverse impact of the pandemic to the greatest extent. During the Year, the pandemic did not have any significant material adverse impact on the financial position and operating results of the Company.

Contracted sales

In 2021, the Group continued to utilize its market advantages in the Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”) and achieved satisfactory sales performance. For the year ended 31 December 2021, the Group attained contracted sales of approximately RMB140.20 billion, representing an increase of approximately 16.2% as compared with 2020. For the contracted sales in 2021, Greater Bay Area, Southwest region, Yangtze River Delta region, Singapore and other regions accounted for approximately 56.5%, 15.7%, 10.8%, 1.9% and 15.1%, respectively. The contracted sales were mainly generated from Greater Bay Area and Southwest region. For the Greater Bay region, the contracted sales in Shenzhen was mainly generated from Shenzhen • Qianhai Fairyland (深圳•前海天境) and Jiuyue Park (玖悦臺) projects erected on the Qianwan Park station at the Shenzhen's subway line 5; while the contracted sales in other cities in the region mainly generated from projects such as Huizhou Logan City (惠州龍光城) and Foshan • Chancheng Fairyland (佛山•禪城天境). For the Southwest region, the sales were mainly contributed by projects such as Nanning • Glory City (南寧玖譽城) and Acesite Bay (玖龍灣). In 2022, the key projects launched by the Company include Shenzhen Logan • One Splendid Park (深圳錦綉公園壹號), the Hong Kong project, Chengdu TianYing (成都天瀛), and Nanjing Acesite Castle (南京玖華府).

Region	Contracted sales in 2021				ASP (RMB/ sq.m.)
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	
Greater Bay Area	79,223	56.5%	3,338,150	41.9%	23,273
Southwest region	22,067	15.7%	1,800,876	22.6%	11,991
Yangtze River Delta region	15,117	10.8%	572,946	7.2%	26,020
Singapore	2,602	1.9%	28,791	0.4%	90,375
Other regions	21,188	15.1%	2,232,793	27.9%	9,025
Total	<u>140,197</u>	<u>100.0%</u>	<u>7,973,556</u>	<u>100.0%</u>	<u>17,175</u>

1. Excluding car parking spaces

Newly commenced projects

For the year ended 31 December 2021, the Group commenced construction of a total of 57 projects or new project phases with a total planned GFA of approximately 9.24 million sq.m..

Completed projects

For the year ended 31 December 2021, the Group completed 42 projects or project phases with a total planned GFA of approximately 6.1 million sq.m..

Developing projects

As at 31 December 2021, the Group had a total of 142 projects or project phases under construction with a total planned GFA of approximately 26.2 million sq.m..

Land Reserves

For the year ended 31 December 2021, the Group acquired 29 new projects through public tendering, auction and listing with GFA of 3.94 million sq.m..

**List of newly acquired projects through public tendering,
auction and listing in 2021**

Region	Site area (sq.m.)	GFA (sq.m.)
Shenzhen	31,552	428,982
Foshan	83,176	264,201
Huizhou	27,646	57,706
Zhuhai	18,191	86,830
Zhongshan	13,935	53,906
Jiangmen	62,006	113,141
Subtotal of Guangdong- Hong Kong-Macao Greater Bay Area	236,506	1,004,766
Southwest Region	147,022	564,037
Yangtze River Delta Region	772,978	1,502,548
Other Regions	308,564	868,862
Total	1,465,070	3,940,213

As at 31 December 2021, land reserves were as below:

Land reserves as at 31 December 2021

	GFA (sq.m.)	Percentage
Shenzhen	1,787,931	5.2%
Huizhou/Dongguan	5,756,990	16.8%
Guangzhou/Foshan/Zhaoqing	5,840,153	17.0%
Zhuhai/Zhongshan/Jiangmen	2,732,556	8.0%
Hong Kong	41,805	0.1%
Subtotal of Guangdong-Hong Kong-Macao Greater Bay Area	16,159,435	47.1%
Southwest Region	7,787,038	22.7%
Yangtze River Delta Region	2,440,748	7.1%
Singapore	74,067	0.2%
Other Regions	7,850,675	22.9%
Total	34,311,963*	100.0%

Note: * Represents land bank available for development in the short to medium term.

FINANCIAL REVIEW

Performance Highlights

	2021	2020	Changes per year
	RMB'000	RMB'000	%
Revenue	78,292,624	71,079,729	10.2%
Among which: Property development			
— Revenue from properties delivered	66,677,321	54,858,387	21.5%
— GFA ¹ of properties delivered (sq.m.)	4,151,502	4,779,920	-13.1%
— ASP ¹ of properties delivered (RMB/sq.m.)	15,879	11,229	41.4%
Development management income	8,498,285	10,093,142	-15.8%
Urban redevelopment business income	2,904,631	6,019,115	-51.7%
Property operation income	212,387	109,085	94.7%
Gross profit	17,111,166	21,331,872	-19.8%
Profit for the year			
— Attributable to equity shareholders	9,975,465	13,016,635	-23.4%
— Attributable to non-controlling shareholders	356,830	357,459	-0.2%
— Total	10,332,296	13,374,094	-22.7%
Core profit⁽¹⁾			
— Attributable to equity shareholders	9,584,673	12,036,857	-20.4%
— Attributable to non-controlling shareholders	356,830	357,459	-0.2%
— Total	9,941,504	12,394,316	-19.8%
Total assets	285,901,558	243,513,648	17.4%
Cash and bank balances	38,236,324	42,869,161	-10.8%
Total bank and other borrowings²	93,874,502	80,138,483	17.1%
Total equity	67,768,283	60,671,465	11.7%
Total equity attributable to equity shareholders	47,894,617	42,403,234	13.0%
Key financial ratios			
Gross profit margin ⁽²⁾	21.9%	30.0%	
Core profit margin ⁽³⁾	12.7%	17.4%	
Net debt-to-equity ratio ⁽⁴⁾	82.1%	61.4%	
Asset/liability ratio ⁽⁵⁾	71.0%	69.8%	

Notes:

1. Excluding the car parking portion
 2. Including bank and other loans, senior notes and corporate bonds
- (1) Core profit: net profit excluding changes in fair value of investment properties and derivatives financial instruments and relevant deferred tax, dividend withholding tax and equity-settled share option expense.
 - (2) Gross profit margin: $\text{Gross profit} \div \text{Revenue} \times 100\%$
 - (3) Core profit margin: $\text{Core profit} \div \text{Revenue} \times 100\%$
 - (4) Net debt-to-equity ratio: $(\text{Total bank and other borrowings} - \text{Cash and bank balances}) \div \text{total equity} \times 100\%$
 - (5) Asset/liability ratio: $\text{Total liabilities deducting contract liabilities} \div \text{Total assets deducting contract liabilities} \times 100\%$

(I) Revenue

Total revenue of the Group for the year ended 31 December 2021 increased to RMB78,292.6 million by approximately RMB7,212.9 million, or approximately 10.2%, as compared with 2020, mainly due to the increase in revenue from property development as compared to 2020. Revenue from property development for the year ended 31 December 2021 amounted to approximately RMB66,677.3 million, representing an increase of approximately 21.5% as compared to RMB54,858.4 million in 2020. Greater Bay Area, Southwest Region, Yangtze River Delta Region and other regions contributed to the revenue from property development of 2021, accounting for 66.5%, 17.9%, 6.3% and 9.3%, respectively.

Details of revenue from property development by region are as follows:

	Amount <i>(RMB Million)</i>	Percentage	GFA¹ <i>(sq.m.)</i>	Percentage	ASP <i>(RMB/ sq.m.)</i>
Greater Bay Area	44,308	66.5%	2,703,192	65.1%	16,391
Southwest Region	11,991	17.9%	1,138,345	27.4%	10,534
Yangtze River Delta	4,173	6.3%	259,677	6.3%	16,070
Other regions	6,205	9.3%	50,288	1.2%	12,339
Total	<u>66,677</u>	<u>100%</u>	<u>4,151,502</u>	<u>100%</u>	

¹ Taking no account of GFA attributable to car parking spaces.

Details of the revenue from property development by project are as follows:

Project name	2021		2020	
	GFA ¹ (sq.m.)	Amount ² RMB'000	GFA ¹ (sq.m.)	Amount ² RMB'000
Dongguan Chang'an Jiangnan Royal City (東莞長安江南大境)	174,216	6,110,252	—	—
Shenzhen Acescene Park (深圳玖悅臺)	66,319	5,500,840	—	—
Zhuhai Ace Prestige Bay (珠海玖譽灣)	207,995	4,803,760	—	—
Shenzhen Acesite Park (深圳玖龍臺)	113,871	4,419,029	80,138	3,590,100
Foshan Water Castle (佛山尚水華府)	127,122	2,222,235	28,257	511,960
Huizhou Logan City (惠州龍光城)	133,708	2,169,696	272,935	2,060,218
Jiashan Acesite Garden (嘉善玖臺花苑)	124,847	2,068,142	—	—
Heyuan Logan City (河源龍光城)	328,368	1,990,576	—	—
Zhuhai Acesite Mansion (珠海玖龍璽)	42,302	1,834,156	107,711	2,644,518
Nanning Logan Tianying (南寧龍光天瀛)	101,004	1,821,189	—	—
Foshan Nanhai Sirius (佛山南海天曜)	71,581	1,745,912	83,747	1,717,807
Nanning Glory City (南寧玖譽城)	186,183	1,636,030	183,241	1,327,345
Foshan Green Castle (佛山綠璟瓏府)	69,406	1,411,036	—	—
Zhaoqing Ace Prestige City (肇慶玖譽城)	231,365	1,368,523	—	—
Shantou Ocean Sunshine (汕頭碧海陽光)	175,809	1,286,362	—	—
Nanning Gragon Castle (南寧玖瓏華府)	81,193	1,176,344	—	—
Nanning Shuiyue Longwan Yujiang (南寧水悅龍灣禦江)	117,238	1,093,682	—	—
Jiashan Jiuyue Castle (嘉善玖悅華府)	71,670	1,091,828	—	—

Project name	2021		2020	
	GFA ¹ (sq.m.)	Amount ² RMB'000	GFA ¹ (sq.m.)	Amount ² RMB'000
Zhaoqing Acesite Lake (肇慶玖龍湖)	158,158	1,085,907	180,957	318,479
Huizhou Masterpiece (惠州玖雲臺)	115,671	1,078,335	—	—
Zhaoqing Acesite Mount (肇慶玖龍山)	133,734	958,453	—	—
Chengdu Century Center (成都世紀中心)	89,264	946,941	58,841	716,865
Nanning Impressions of Discovery Bay (南寧印象愉景灣)	86,325	935,292	204,933	1,212,405
Shanghai Jiangnan Yajingli (上海江南雅境里)	55,974	885,033	—	—
Chengdu Logan Tianfu Acesite Park (成都龍光天府玖龍郡)	80,178	780,085	—	—
Chaozhou Sunshine Garden (潮州陽光禧園)	127,901	764,940	—	—
Huizhou Banyan Park (惠州玖榕府)	77,339	697,913	—	—
Meishan Acesite Park (眉山玖龍府)	94,473	677,893	—	—
Foshan Dragon Castle (佛山龍馨華府)	63,569	661,655	67,043	616,384
Liuzhou Lotus Castle (柳州蓮花悅府)	52,878	644,465	—	—
Huizhou Acesite Park (惠州玖龍臺)	63,063	599,862	—	—
Zhongshan Ace Prestige Bay (中山玖譽灣)	47,472	591,512	—	—
Foshan Dragon River Garden (佛山龍濱熙園)	24,586	533,833	114,502	994,966
Foshan Acescene Park (佛山玖悅臺)	23,103	521,522	—	—
Liuzhou Acesite Park (柳州玖龍府)	63,842	489,194	41,457	393,294
Nanning Jiangnan Courtyard (南寧江南院子)	64,324	470,017	117,262	1,201,190

Project name	2021		2020	
	GFA ¹ (sq.m.)	Amount ² RMB'000	GFA ¹ (sq.m.)	Amount ² RMB'000
Zhuhai Jiulonghui International Culture Creativity Center (珠海九龍匯國際文創中心)	21,476	452,465	—	—
Nanning Riverine Sunshine (南寧陽光河畔)	61,802	415,619	—	—
Foshan Jiuyun Garden (佛山玖雲熙園)	39,215	400,661	—	—
Nanning Glory Lake (南寧玖譽湖)	3,898	328,524	434,529	3,583,580
Huizhou Seaward Heaven Garden (惠州天禧花園)	40,325	326,897	94,825	816,866
Shenzhen Carat Complex (深圳玖鑽)	5,354	226,064	15,797	782,647
Foshan Dragon River Landscape (佛山瓏濱嘉園)	5,515	207,933	72,962	771,183
Nanning Sirius (南寧天曜)	11,985	195,581	61,891	962,720
Nanning Logan Century Centre (南寧龍光世紀)	11,691	182,914	11,987	216,692
Guilin Provence (桂林普羅旺斯)	26,720	140,377	—	—
Suzhou Ace Prestige Bay (蘇州玖譽灣)	6,032	101,869	43,555	746,663
Zhongshan Acesite County (中山玖龍郡)	1,904	83,821	58,436	559,750
Zhongshan Violet Castle (中山春江紫宸)	3,311	73,905	99,613	1,589,278
Shenzhen Acesite Glory Mansion (深圳玖譽府)	1,592	69,568	33,595	1,580,368
Zhongshan Acesite Bay (中山玖龍灣)	5,380	64,486	114,615	687,171
Fangchenggang Sunshine Seaward (防城港陽光海岸)	3,534	40,349	247,673	1,385,922
Dongguan Acesite Mansion (東莞玖龍璽)	96	19,501	55,354	1,321,078
Jiashan Acesite Bay (嘉善玖龍灣)	863	16,325	33,577	684,944
Nanning Ace Prestige Bay (南寧玖譽灣)	1,547	13,662	155,411	1,351,844

Project name	2021		2020	
	GFA ¹ (sq.m.)	Amount ² RMB'000	GFA ¹ (sq.m.)	Amount ² RMB'000
Zhongshan Acesite Park (中山玖龍府)	324	12,549	87,501	419,847
Huizhou Jasmine Mansion (惠州茉莉公館)	1,613	9,916	74,773	484,242
Jiashan Acesite Park (嘉善玖龍府)	290	9,789	32,183	579,691
Nanning Masterpiece (南寧玖雲著)	266	3,145	68,762	596,364
Huizhou Acesite Mount (惠州玖龍山)	335	2,748	118,078	163,940
Huizhou Acesite Park (惠州玖龍府)	94	1,145	163,938	1,892,971
Nanning Longguang Acesite Park (南寧龍光玖瓏臺)	—	—	201,581	2,220,140
Huizhou Dragon Garden (惠州玖龍花園)	—	—	95,579	1,142,131
Nanning Acesite Glory Mansion (南寧玖譽府)	—	—	105,223	988,967
Chengdu Xinjin Acesite Park (成都新津玖龍府)	—	—	66,913	638,991
Nanning Glory Forest Lake (南寧玖譽湖林湖)	—	—	82,860	595,844
Nanning Acesite Park (南寧玖龍臺)	—	—	47,020	363,815
Shenzhen Acesite Mansion (深圳玖龍璽)	—	—	2,477	301,640
Foshan Riverine View Castle (佛山望江府)	—	—	7,330	272,714
Foshan Dragon Castle (佛山龍灣華府)	—	—	190	246,678
Zhongshan Royal Heaven Garden (中山禦海天璽花園)	—	—	38,475	237,314
Others	50,288	6,205,064	512,193	9,366,862
Total	4,151,501	66,677,321	4,779,920	54,858,387

- Notes:
1. Excluding the car parking portion.
 2. Including revenue from sales of car parking spaces, but before deduction of sales related taxes.

(II) Cost of sales

Cost of sales of the Group for the year ended 31 December 2021 increased by approximately RMB11,433.6 million to RMB61,181.5 million, or approximately 22.9%, as compared with 2020, primarily due to the increase in cost of sales of property development. Key components of costs are as follows:

	2021	2020	Change
	RMB'000	RMB'000	per year
			%
Costs	61,181,459	49,747,857	23.0%
— Property development	53,273,419	39,829,687	33.8%
— Development management	6,716,701	8,665,279	-22.5%
— Urban redevelopment business	1,143,806	1,216,103	-5.9%
— Property operation	47,533	36,788	29.2%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2021 amounted to approximately RMB2,170.7 million (2020: RMB1,672.2 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2021, the selling and marketing expenses had increased by approximately 29.8% as compared with 2020.

The administrative expenses of the Group for 2021 amounted to approximately RMB1,675.2 million (2020: RMB1,867.3 million), representing a decrease of approximately 10.3% as compared with 2020, which was mainly attributable to a decrease in overall expenses as a result of better cost control in 2021.

(IV) Profit from operations

The profit from operations of the Group for 2021 amounted to approximately RMB16,088.3 million (2020: RMB21,549.2 million), representing a decrease of approximately 25.3%. The profit from operations of the Group decreased by approximately RMB5,460.9 million as compared with 2020, which was mainly attributable to a decrease of RMB4,220.7 million in the gross profit of the Group.

(V) Net finance costs

The net finance costs of the Group for 2021 decreased to approximately RMB1,298.5 million (2020: RMB2,051.4 million).

(VI) Tax

Taxes of the Group for the year ended 31 December 2021 included CIT and LAT. Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB3,208.1 million and RMB1,249.3 million, respectively (2020: approximately RMB4,583.7 million and RMB1,540.0 million).

(VII) Core Profit

The core profit of the Group for the year ended 31 December 2021 amounted to approximately RMB9,941.5 million, representing a decrease of approximately RMB2,452.8 million as compared with 2020. The core profit margin of the Group for the year ended 31 December 2021 was approximately 12.7% (2020: approximately 17.4%), representing a decrease of approximately 4.7 percentage points as compared with 2020.

(VIII) Liquidity and financial resources

As at 31 December 2021, net debt-to-equity ratio, asset/liability ratio and cash to short-term debt ratio were 82.1%, 71.0% and 1.07 times respectively.

As at 31 December 2021, total assets of the Group amounted to approximately RMB285,901.6 million (31 December 2020: RMB243,513.6 million), of which current assets amounted to approximately RMB223,330.7 million (31 December 2020: RMB193,134.1 million). Total liabilities amounted to approximately RMB218,133.3 million (31 December 2020: RMB182,842.2 million), of which non-current liabilities amounted to approximately RMB63,007.5 million (31 December 2020: RMB62,070.8 million). Total equity amounted to approximately RMB67,768.3 million (31 December 2020: RMB60,671.5 million).

As at 31 December 2021, the Group had cash and bank balances of approximately RMB38,236.3 million (31 December 2020: RMB42,869.2 million) and total borrowings of approximately RMB93,874.5 million (31 December 2020: RMB80,138.5 million). As at 31 December 2021, total net borrowings of the Group amounted to approximately RMB55,638.2 million (31 December 2020: RMB37,269.3 million), the net debt-to-equity ratio of the Group was 82.1% (31 December 2020: 61.4%)

(IX) Financing activities

The Group had successfully issued four tranches of senior notes of USD960 million during the year.

Shenzhen Logan Holdings Co., Ltd, a wholly-owned subsidiary of the Company, had successfully issued three tranches of public domestic bonds of RMB3,274 million during the year.

(X) Foreign Exchange Exposure

The Group's businesses are principally conducted in Renminbi. Other than the bank deposits, bank borrowings and the senior notes denominated in foreign currencies, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group has not entered into any material forward exchange contract to hedge its exposure to foreign exchange risk. The Group will continue to monitor foreign exchange changes to minimize foreign exchange exposure.

(XI) Employees and Remuneration Policy

As at 31 December 2021, the Group had approximately 2,897 employees (2020: 2,999). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details in relation to the Share Option Scheme and the Share Award Scheme will be set out in the Company's annual report for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Thursday, 13 October 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: a final dividend of HK58 cents per share).

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 10 October 2022 to Thursday, 13 October 2022, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 7 October 2022.

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

During the year ended 31 December 2021, the Company repurchased from the market a total of 3,790,000 shares of the Company (the “Shares”). All the Shares repurchased have been cancelled. Details of the repurchases of the Shares are as follows:

Date of Repurchase	Number of Shares Repurchased	Highest Price per Share (HK\$)	Lowest Price per Share (HK\$)	Aggregate Consideration (HK\$)
21 September 2021	500,000	6.96	6.64	3,403,850
23 September 2021	500,000	7.50	7.26	3,683,400
24 September 2021	490,000	7.50	7.39	3,645,502
20 December 2021	300,000	5.59	5.54	1,670,010
21 December 2021	500,000	5.76	5.65	2,862,000
22 December 2021	500,000	5.74	5.69	2,854,750
23 December 2021	500,000	5.85	5.78	2,909,950
24 December 2021	500,000	5.84	5.77	2,906,550

On 3 November 2021, the Company announced that an offer was made (the “**Offer**”) to purchase for cash any and all of its outstanding 5.75% senior notes due 2022 in the aggregate principal amount of US\$244,075,000 (the “**2022 Notes**”). The Offer expired at 4:00 p.m. London Time on 10 November 2021. The Company accepted for purchase all the 2022 Notes in an aggregate principal amount of US\$164,236,000 validly tendered at or prior to the aforementioned expiration deadline. The Offer was completed on 12 November 2021. The Company had made repurchase of an aggregate principal amount of US\$18,050,000 of the 2022 Notes prior to the Offer. The 2022 Notes repurchased pursuant to the Offer and the repurchased 2022 Notes in the principal amount of US\$18,050,000 had been cancelled. After the cancellation, the aggregate outstanding principal amount of the 2022 Notes was US\$61,789,000. For details of the repurchase, please refer to the announcements of the Company dated 3 November 2021, 11 November 2021 and 17 November 2021 respectively.

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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted, applied and complied with the Corporate Governance Code in effect during 2021 as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries, the Company confirmed that all the directors have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company comprises three independent non-executive directors, namely Ms. Liu Ka Ying, Rebecca, Mr. Zhang Huaqiao and Mr. Cai Suisheng. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the 2021 annual results announcement and the consolidated financial statements for the year ended 31 December 2021, and also fully discussed with UniTax, the auditor of the Company on its audit work, including the audit of financial guarantees provided by the Group and its cash and bank balances.

SCOPE OF WORK OF UNITAX PRISM (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditors, UniTax Prism (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

FORWARD-LOOKING STATEMENTS

This announcement includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "anticipate", "expect", "intend", "may", "will" or "should" (or of related nature), or, in each case, their negative or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects and growth strategies, and the industries in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

PUBLICATION OF ANNUAL REPORT

The 2021 annual report of the Company containing all the applicable information required by the Listing Rules is expected to be despatched to the shareholders of the Company on or before 15 September 2022 and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.logangroup.com>).

FULFILMENT OF RESUMPTION GUIDANCE

Reference is made to the announcement of the Company dated 14 August 2022 in relation to the resumption guidance. The Company is pleased to announce that it has fulfilled the resumption guidance on the following basis.

Resumption guidance 1 — publish all outstanding financial results required under the Listing Rules and address any audit modifications

Please refer the section headed “ANNUAL RESULTS” of this announcement.

Resumption guidance 2 — demonstrate the Company’s compliance with Rule 13.24

The Group carries out its business with a sufficient level of operations.

- (i) The Group is principally engaged in property development, property operation, development management and urban redevelopment business in China.
- (ii) For the year ended 31 December 2021, the Group’s revenue amounted to approximately RMB78.29 billion and profit before tax amounted to approximately RMB14.79 billion.
- (iii) Please refer to the section headed “BUSINESS REVIEW” and the section headed “FUTURE PROSPECTS” of this announcement.

The Group carries out its business with assets of sufficient value. As disclosed in the Announcement, as at 31 December 2021, the Group had total assets of approximately RMB285.9 billion.

Resumption guidance 3 — inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position.

Since the suspension of trading in the securities of the Company, the Company has continued to update the market on its latest developments. In the announcement of the Company dated 7 August 2022, it has informed the market about its latest development including its next steps in relation to the Holistic Liability Management Solutions (as defined in that announcement).

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 12 May 2022 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 24 August 2022.

By order of the Board
Logan Group Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 23 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Kei Hoi Pang, Mr. Lai Zhuobin, Mr. Xiao Xu, Mr. Zhong Huihong and Ms. Huang Xiangling; and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.