



粵海置地控股有限公司
GUANGDONG LAND HOLDINGS LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)
股份代號 Stock Code: 00124



Annual Report
年報

2021



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Corporate Information

As at 30 March 2022

Board of Directors

Executive Directors

LAN Runing (*Chairman*)
KUANG Hu (*Vice Chairman*)
LI Yonggang (*Managing Director*)
WU Mingchang
ZHU Guang
JIAO Li (*Chief Financial Officer*)

Independent Non-Executive Directors

Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National
People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Audit Committee

Vincent Marshall LEE Kwan Ho *Deputy of the National
People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*
(*Committee Chairman*)
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*

Remuneration Committee

Felix FONG Wo *BBS, JP (Committee Chairman)*
Alan Howard SMITH *JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National
People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Nomination Committee

LAN Runing (*Committee Chairman*)
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho *Deputy of the National
People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*

Company Secretary

Christine MAK Lai Hung

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Website Address

<http://www.gdland.com.hk>

Principal Bankers

Shanghai Pudong Development Bank
Bank of China
Industrial Bank

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office & Principal Place of Business in Hong Kong

18th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong
Telephone: (852) 2165 6262
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Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar in Hong Kong

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

Share Information

Place of Listing: Main Board of
The Stock Exchange
of Hong Kong Limited
Stock Code: 00124
Board Lot: 2,000 shares
Financial year end: 31 December

Shareholders' Calendar

Annual General Meeting
23 June 2022 10:30 a.m.

Final Dividend
HK10.00 cents per ordinary share,
payable on or about 21 July 2022

Last Share Registration Date
For attending Annual 17 June 2022,
General Meeting: by 4:30 p.m.

For entitlement to 29 June 2022,
Final Dividend: by 4:30 p.m.

Closure of Register of Members
For attending Annual 20 to 23 June 2022
General Meeting: (both days inclusive)

For entitlement to 30 June 2022
Final Dividend:

In this annual report, the English names of the PRC entities are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

Highlights

	Year ended 31 December		Change
	2021	2020	
Revenue (HK\$'000)	6,006,392	4,000,332	+50.1%
Gross profit (HK\$'000)	3,469,341	1,230,004	+182.1%
Fair value gain on investment properties (HK\$'000)	405,582	1,962,563	-79.3%
Profit attributable to owners of the Company (HK\$'000)	1,402,249	1,681,922	-16.6%
Basic earnings per share (HK cents)	81.93	98.27	-16.6%
Proposed final dividend (HK cents)	10.00	1.53	+553.6%
	As at 31 December 2021	As at 31 December 2020	Change
Current ratio	2.1 times	2.3 times	-8.7%
Gearing ratio ¹	183.3%	73.7%	+109.6 ppt
Total assets (HK\$ million)	46,308	20,863	+122.0%
Net asset value per share ² (HK\$)	4.96	3.99	+24.3%
Number of employees	577	401	+43.9%

Notes:

- Gearing ratio = (Interest-bearing loans + Lease liabilities – Cash and cash equivalents) ÷ Net assets
- Net asset value per share = Equity attributable to owners of the Company ÷ Number of issued shares



Chairman's Statement

Following a strong rebound in the global economy in 2021, the pandemic situation overseas is still severe and complex. Due to the new threat from COVID-19 variants, along with the aggravating effects of inflation, debts and income inequality, the recovery of emerging markets and developing economies might be jeopardised, and global growth has apparently entered into a period of slowdown. In 2021, the People's Republic of China (the "PRC" or "Mainland China") entered into a post-pandemic era of Coronavirus Disease 2019 ("COVID-19 pandemic") and faced various challenges such as complicated and grim international situations and the domestic spread of the pandemic. The PRC has adhered to the general principle of prudent development, coordinated scientifically the pandemic prevention and control as well as economic and social development, strengthened the cross-cyclical adjustment of macro policies, enhanced support on real economy, thus the development of national economy has continued to recover. In 2021, the aggregate gross domestic product ("GDP") of the PRC exceeded RMB110 trillion, up by 8.1% as compared to the previous year, which was a 10-year record high. China's contribution to the world's economic growth was expected to reach approximately 25%, with its economic growth ranking among the best in the world's major economies. The PRC's GDP per capita amounted to RMB81,000, with per capita disposable income of residents increasing by 9.1% in nominal terms as compared to the previous year.

In 2021, under the policies that "housing is for living in, not for speculation" and "property policies should be city-specific", the PRC government regulated the national real estate market comprehensively and accurately. The real estate industry has undergone a series of policy changes and upgrades from in-depth regulation to stability maintenance, ensuring that the goals of stabilising land prices, housing prices, and market expectations will be realised. In the first half of the year, after the Ministry of Housing and Urban Rural Development of the PRC and the People's Bank of China set up the "three red lines" for property developers (i.e. liability-to-asset ratio (excluding receipt in advance) shall not exceed 70%; net gearing ratio shall not exceed 100%; and cash to short-term debt ratio shall not be less than 1), "Real Estate Loan Centralised Management", "Two Concentration of Land Supply" (implemented for the first time in 22 key cities; referring to the centralised issuance of sales announcements and the centralised organisation of sales activities), "Real Estate Tax Reform Pilot" (referring to the announcement "Decision on Authorising the State Council to Implement Real Estate Tax Reform Pilot Work in Some Areas (Draft)"), and other policies were launched to restrain both supply and demand from various aspects. In the second half of the year, the policy direction gradually shifted to moderate adjustment to the credit and strived to ensure the stable development of the real estate market by shortening the lending cycle, lowering interest rates, and reasonably issuing development loans. According to the data throughout 2021, the total investment in real estate development across Mainland China amounted to approximately RMB14.76 trillion, representing a growth of 4.4% as compared to the previous year; the gross floor area ("GFA") of commodity housing sold were approximately 1,794 million square metres ("sq. m."), representing a growth of 1.9% as compared to the previous year; and the sales revenue of commodity housing sold were RMB18.19 trillion, representing a growth of 4.8% as compared to the previous year. Under the multiple control mechanisms, the real estate market in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") has gradually returned to rationality and has become generally stable. In 2021, the average price of commodity housing in nine major cities of Guangdong increased by 14% year-on-year. In particular, the average selling price of commodity housing in Foshan, Shenzhen, Zhongshan, Dongguan and Guangzhou grew by more than 10%, while the average selling prices in cities such as Zhuhai, Huizhou and Jiangmen also saw steady increases.

Results

During the year under review, the Group was engaged in property development and investment businesses. The Group currently holds a number of property development projects and certain investment properties in Guangdong Province and the Greater Bay Area.

In 2021, the Group recorded a revenue of approximately HK\$6,006 million (2020: HK\$4,000 million), representing an increase of approximately 50.1% from the previous year. The Group recorded a profit attributable to owners of the Company for the year under review of approximately HK\$1,402 million (2020: HK\$1,682 million), representing a decrease of approximately 16.6% from the previous year. For the year under review, profit attributable to owners of the Company before taking into account of the net fair value gains on investment properties and the relevant deferred tax expense was approximately HK\$1,098 million (2020: HK\$210 million).

Chairman's Statement (continued)

Results (continued)

During the year under review, the increase in revenue was mainly attributable to the increased GFA of properties sold as compared to the previous year. For details of the Group's property sales in 2021, please refer to the section headed "Business Review" in the Management Discussion and Analysis. Apart from the profit from property sales, the decrease in profit attributable to owners of the Company for the year under review was mainly attributable to the fact that the investment properties on the Southern Land of the Shenzhen GDH City Project were measured and carried at fair value for the first time last year. The aggregated fair value gains on investment properties contributed approximately HK\$1,472 million to the Group's profit after tax for last year, and it amounted to approximately HK\$304 million for the year under review, representing a significant decrease from that of 2020.

The Board recommends the payment of a final dividend of HK10.00 cents per share for the year ended 31 December 2021 (2020: HK1.53 cents). If approved by the shareholders of the Company at the forthcoming annual general meeting, the said final dividend will be paid on or about 21 July 2022.

Business Review

The Group conducted its business as planned in 2021 and achieved satisfactory results.

The Group actively took effective countermeasures to speed up the destocking process, so as to quickly respond to the huge impacts on the real estate market caused by the COVID-19 pandemic. Through extensive contacts, cooperation and exchanges with project-related industries and business resources, the Group actively innovated and adjusted the operation methods of various businesses, implemented flexible operation strategies, expanded business channels, optimised customer structure, and actively broadened sources of income and reduced expenditure. It also implemented lean management, systematically carried out full-cycle, full-chain, closed-loop total cost control, and continuously optimised the project's product portfolio, thereby accentuating its competitive advantages. In 2021, the first phase of property sales of the Shenzhen GDH City project contributed approximately 60,553 sq. m. of the aggregate GFA of properties contracted for sale, representing approximately 52.8% of the GFA available for sale. On the basis of the cooperation between Luohu Government of Shenzhen and the Shanghai Diamond Exchange ("SDE"), the Group entered into a property leasing services agreement with 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited) ("GDH Teem"), a fellow subsidiary of the Company. Pursuant to the agreement, GDH Teem shall grant the Group the right to use the name of "天河城" for the shopping mall under the Shenzhen GDH City Project and shall provide high-quality tenant procurement services. Its Guangzhou Laurel House Project, Ruyingju Project and Baohuaxuan Project in Guangzhou have completed the delivery of all residential units, and the occupancy rate of the commercial property "GD•Delin (粵海•得鄰)" in the Guangzhou Laurel House Project has reached 91.8% in 2021. Its Chenyuan Road Project, Jiangmen Ganhua Project, Zhuhai Jinwan Project, Zhongshan GDH City Project, and Foshan Laurel House Project have all officially commenced pre-sale during the year, with the total GFA contracted (including completed properties held for sale and properties held for sale under development) amounting to approximately 157,000 sq. m. in total. The superstructure of the properties of the Huizhou Dayawan Project was under construction. It is expected to commence pre-sale in the second quarter of 2022 and complete the filing for completion of construction in 2023.

In 2021, the Group succeeded in the bid for the land use right of a parcel of land at the Baiyun New Town, Baiyun District, Guangzhou City at the reserve price through the public Listing-for-Sale process, with an aggregate site area of approximately 116,471 sq. m. and a total GFA of approximately 506,000 sq. m. With the significant advantage of this parcel of land in terms of its location, environment, accessibility to transport network and the development of industries nearby, it has promising market prospects and is conducive to realising the Group's regional development strategies in the Greater Bay Area. Through a scientific and effective diversified collaborative expansion model, the Group continued to expand its quality land bank and control land costs in an effective manner, thereby satisfying the Group's future development needs.



Chairman's Statement (continued)

Business Review (continued)

In 2021, the Group established a project co-investment mechanism that focuses on both compliance and incentives, the project development cycle of which is in line with that of leading companies. In 2021, the Zhongshan GDH City Project, Foshan Laurel House Project, and Guangzhou Yungang City Project have implemented project co-investment to the employees; the completion rate of the first and second phases of the three projects has reached 100%. The Group, via cost optimisation, can effectively control the costs, the investment and operational risks, thereby effectively incentivising the project teams and accelerating the projects' development.

Outlook

In 2022, the global economy will face myriads of downside risks, including the resurgence of the pandemic caused by the rapid spread of the mutated COVID strain, Omicron, soaring inflation expectations, financial pressure from high debt levels, etc. Meanwhile, China's economic development is facing shrinking demand, supply shock, and weakening expectations. Under the global COVID-19 pandemic and the downward economic pressure, the RPC government executed comprehensive pandemic control measures and adhered to the principle of focusing on stability while seeking progress. The macro policies need to be stable and effective; the micro policies need to continue to stimulate the market; the structural policies need to focus on smoothing the national circular economy and keep the economy going in a reasonable manner. The World Bank predicts that China's economy will grow by 5% in 2022. In the face of a complex and trying economic environment, China's long-run fundamentals remain positive. The favourable conditions for building a new development landscape remain unchanged, with new economic growth points continuing to emerge.

At the Central Economic Work Conference of the PRC government held in December 2021, the position that "housing is for living in, not for speculation" was reiterated. The PRC government will strengthen the guidance of expectations, explore new development models, facilitate both property rental and purchase, and accelerate the development of the long-term rental market. Moreover, it will promote the construction of affordable housing, support the commodity housing market to better meet the reasonable housing demands, and implement city-specific policies to foster a virtuous circle and healthy development of the real estate industry. The real estate industry will still play a stabilising role in China's economic development. Going forward, it is expected that the PRC government will continue to maintain the consistency and stability of its overall policies on the real estate market. Generally, the sound fundamentals of China's economy in the long run coupled with steady property development and investment will continue to facilitate the steady and healthy development of China's residential and commercial property sectors. The real estate industry will no longer rely on the quantity-driven development that focuses on "high leverage and high turnover"; instead, it will continue to innovate business models and put more emphasis on product quality, so as to better meet the buyers' reasonable demands.

With the full implementation of the development strategies in the Greater Bay Area, it has maintained a good momentum in economic growth and becomes the most attractive city cluster in China. The 14th Five-Year Plan strengthens the linkage between Guangzhou and Shenzhen and facilitates the integrated development of industries and transportation on the east and west sides of the Pearl River Estuary, with the aim of building the Greater Bay Area into a world-class bay area, which will offer a solid foundation for the development of the real estate industry. The development of the land market in 2022 is expected to remain stable, with the overall market popularity continuing to be at a low level. The land auction rules may continue to be optimised, and the city differentiations will be further highlighted. With the loosening of credit and the policies of maintaining stability, the demand in the Greater Bay Area remains resilient. The market is expected to recover in 2022, with the transaction volume rising slightly, which is conducive to the healthy development of the real estate industry in the Greater Bay Area.

Chairman's Statement (continued)

Outlook (continued)

The Group's projects such as the Shenzhen GDH City, Guangzhou Yungang City, Guangzhou Laurel House, Zhuhai Jinwan, Jiangmen Chenyuan Road, Jiangmen Ganhua, Huizhou Dayawan, Foshan Laurel House and Zhongshan GDH City are all located in the core cities of the Greater Bay Area and will benefit from the strong development momentum of the area.

The Group will continue to seek progress while maintaining stability, make every effort to complete the construction, sales and operation of the existing projects, and leverage its status as a provincial state-owned enterprise and the resource advantages of its shareholders to seize business opportunities and innovate project development models. Through high-quality project mergers and acquisitions, cultivation of redevelopment projects, and strategic cooperation projects, the Group will continue to seek exceptional development opportunities in the Greater Bay Area. It will also continue to promote lean management, position itself strategically as "the influential, comprehensive development expert in the Greater Bay Area", adhere to the spirit of ingenuity, and continuously create mid-to-high-end products that meet the needs of the markets and customers, so as to further strengthen the Company's management in real estate development and operation, boost the brand awareness and reputation, and enhance the Company's competitiveness in the industry under the management-driven era.

Last but not least, on behalf of the Board, I would like to acknowledge the contribution by management and staff over the previous year. Under the leadership of the Board, the Group is confident in the prospect of its business development and will actively promote the development of its property business in order to create greater returns for its shareholders as we did in the past.

LAN Runing
Chairman

Hong Kong, 30 March 2022

Management Discussion and Analysis

Results

The consolidated revenue of the Group for 2021 amounted to approximately HK\$6,006 million (2020: HK\$4,000 million), representing an increase of approximately 50.1% from the previous year. The increase in revenue was mainly attributable to the increase in the sale of GFA of properties held for sale. Please refer to the section headed "Business Review" hereof for details of the Group's property sale in 2021. During the year under review, the Group recorded a profit attributable to owners of the Company of approximately HK\$1,402 million (2020: HK\$1,682 million), representing a decrease of approximately 16.6% from the previous year. During the year under review, profit attributable to owners of the Company before taking into account of the net fair value gains on investment properties and the relevant deferred tax expense was approximately HK\$1,098 million (2020: HK\$210 million).

The major factors that affected the aforesaid anticipated results of the Group for the year ended 31 December 2021 include the following:

- during 2020, the Group recorded fair value gains on investment properties (net of the relevant deferred tax expense) of approximately HK\$1,472 million, which was mainly attributable to the first-time adoption of the fair value model measurement of the investment properties under development built on the Southern Land of the Shenzhen GDH City Project as at 30 June 2020 and the fair value changes of these investment properties under development being recognised in the consolidated statement of profit or loss. After taking into account the relevant deferred tax expense, the Group recorded fair value gains on investment properties of approximately HK\$304 million during the year under review, representing a significant decrease from 2020;
- the Group started to deliver the sold units in the buildings on the Northwestern Land of the Shenzhen GDH City Project to the purchasers since June 2020. During the year under review, the revenue and the profit derived from the sale of such properties increased as compared to 2020; and
- an increase in the selling and marketing expenses, administrative expenses and net finance cost of approximately HK\$368 million, HK\$89.99 million and HK\$42.62 million, respectively when comparing with 2020 due to the increase in sales activities and business expansion of the Group.

Business Review

Completed Properties Held for Sale

Property project	Location	Use	Interest held by the Group	Approximate GFA of project (sq. m.)	Accumulated GFA contracted (sq. m.)	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
						Year under review (sq. m.)	Accumulated (sq. m.)	
Northwestern Land of Shenzhen GDH City	Shenzhen City, the PRC	Business apartment/ Commercial	100%	114,654	99,452	71,538	93,696	81.7%
Guangzhou Laurel House	Guangzhou City, the PRC	Residential	100%	65,636	65,636	11,440	65,636	100.0%
Guangzhou Laurel House	Guangzhou City, the PRC	Car-parking spaces	100%	2,764	2,197	1,779	1,779	64.4%
Baohuaxuan	Guangzhou City, the PRC	Residential	100%	3,884	3,884	199	3,884	100.0%
Ruyingju	Guangzhou City, the PRC	Residential	80%	94,617	94,617	193	94,617	100.0%
Ruyingju	Guangzhou City, the PRC	Car-parking spaces	80%	8,052	5,896	917	5,896	73.2%

Management Discussion and Analysis (continued)

Business Review (continued)

Properties Held for Sale under Development and Investment Properties under Development

Property project	Location	Use	Interest held by the Group	Approximate total site area (sq. m.)	Approximate GFA* (sq. m.)	Progress	Expected completion and filing date
Northern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Commercial/Offices/Mall	100%	33,802	146,551	Commercial shopping building superstructure and tower superstructure topped out, and renovation works in progress	2nd half of 2022
Southern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Offices/Mall	100%	16,044	199,500	Commercial shopping building structure topped out and the masonry works and renovation works in progress, and superstructure construction and masonry works and renovation of the office tower underway	2023
Chenyuan Road Project	Jiangmen City, the PRC	Residential/Commercial service	100%	59,705	164,216	Superstructure of all phases topped out, and renovation works in progress	2nd half of 2022
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/Commercial	100%	66,090	166,692	Superstructure construction works of the first phase of the properties in progress, and basement structural works for other properties underway	2024
Foshan Laurel House Project	Foshan City, the PRC	Residential/Commercial	100%	43,284	151,493	Superstructure construction works of each phase of the properties in progress	2023
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	98,811	247,028	Superstructure construction works of each phase of the properties in progress	2023
Jiangmen Ganhua Project (Jiangmen Land No. 3-5)	Jiangmen City, the PRC	Residential/Commercial	51%	174,538	396,600	Superstructure of all properties on Land No. 3 topped out and renovation works in progress, and superstructure of some properties on Land No. 4 topped out and superstructure construction works of other properties in progress	2026
Huizhou Dayawan Project	Huizhou City, the PRC	Residential/Commercial	100%	30,698	92,094	Superstructure construction works of each phase of the properties in progress	2023
Guangzhou Yungang City Project	Guangzhou City, the PRC	Residential/Commercial	100%	114,463	506,000	Basement and earthwork excavation of each phase of the properties underway	2025

*Note: Including (1) underground commercial area of the Shenzhen GDH City Project with a GFA of 30,000 sq. m.; and (2) common area and area transfer to the government of each project.

Management Discussion and Analysis (continued)

Business Review (continued)

Projects Which Pre-sale Has Commenced

Property project	Location	Use	Interest held by the Group	Approximate GFA included in calculation of plot ratio (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Date of pre-sale
					Year under review (sq. m.)	Accumulated (sq. m.)		
Chenyuan Road Project	Jiangmen City, the PRC	Residential/ Commercial service	100%	164,216	30,605	30,605	18.6%	January 2021
Jiangmen Ganhua Project (Jiangmen Land No. 3-5)	Jiangmen City, the PRC	Residential/Commercial	51%	396,600	25,920	25,920	6.5%	May 2021
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/Commercial	100%	166,692	12,945	12,945	7.8%	June 2021
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	247,028	17,376	17,376	7.0%	September 2021
Foshan Laurel House Project	Foshan City, the PRC	Residential/Commercial	100%	151,493	3,301	3,301	2.2%	October 2021

During the year under review, the Group's properties recorded the total GFA contracted (including completed properties held for sale and properties held for sale under development) and delivered of approximately 157,000 sq. m. and 86,000 sq. m. respectively.

New Project in 2021 — The Guangzhou Yungang City Project

On 26 September 2021, the Group has successfully won the bid for the land use rights of the land parcel at Baiyun New Town, Baiyun District, Guangzhou City through the public listing-for-sale process, at a consideration of RMB10.187 billion (equivalent to approximately HK\$12.278 billion). Such land parcel consists of three pieces of land (namely Land Plot Nos. AB2910004, AB2909009 and AB2909011) located at the core area of Baiyun New Town, Baiyun District, Guangzhou City, the PRC, with an aggregate site area of approximately 116,471 sq. m. and a total GFA included in the calculation of the plot ratio of approximately 506,000 sq. m. The nature of the land is a state-owned construction land, of which Land Plot No. AB2909011 is planned for residential purpose, and Land Plot Nos. AB2910004 and AB2909009 are planned for business and commercial purpose.

Management Discussion and Analysis (continued)

Business Review (continued)

New Project in 2021 — The Guangzhou Yungang City Project (continued)

The core area of Baiyun New Town, Baiyun District, Guangzhou City, the PRC, at which the land parcel is located, is positioned to be the hub for headquarters, and is planned as a cluster of corporate headquarters, aviation industry and commercial hotel service functions, focusing on the development of headquarters economy and attracting the headquarters of large corporations and small and medium-sized enterprises. Such land parcel is located to the north of Yuncheng South Fourth Road and south of Qixin Road, and on the two sides of Yuncheng West Road, and is connected to major transport networks. It is adjacent to Baiyun Park Station of Guangzhou Metro Line 2 and trunk roads such as the Airport Expressway and the Baiyun Avenue, and it is only about 30 kilometres away from the Guangzhou Baiyun International Airport. In addition, as the Airport Avenue is expected to fully open within the year of 2022 while Guangzhou Metro Line 12 is expected to open in 2023, travel between such land parcel and its surrounding areas will be more convenient in due course. The land parcel is situated in a well-developed neighborhood where commercial shopping centres, schools, hospitals, parks and the Guangzhou Gymnasium are within a three-kilometre radius, and it is close to the scenic area of Baiyun Mountain. With the significant advantage of such land parcel in terms of its location, environment, accessibility to transport network and the development of industries nearby, it has promising market prospects. The project has adopted a model of development by phases. As at 31 December 2021, the properties of each phase of the project are carrying out the construction work of basement and earthwork excavation, and the overall project is expected to be filed for completion in 2025.

The Shenzhen GDH City Project

Located in Buxin Area, Luohu District, Shenzhen City in the PRC, the Shenzhen GDH City Project is a multi-functional commercial complex with jewelry as the main theme. The project, which is in close proximity to the urban highways and subway stations and adjoins Weiling Park, is surrounded by several municipal parks within a radius of 1.5 kilometres and enjoys convenient transportation and superb landscape resources.

The Shenzhen GDH City Project is developed in two phases. The filing for completion of construction of the first phase was made in June 2020. The construction of the second phase properties has been in full swing. As at 31 December 2021, the superstructure of the office tower and the commercial shopping building on the Northern Land development was topped out and renovation works were in progress; and the superstructure construction and masonry works and renovation of the office tower on the Southern Land development were underway; and the commercial shopping building structure was topped out and the masonry works and renovation were in progress. In respect of the sale of the first phase properties of the Shenzhen GDH City Project, the total GFA of properties contracted for sale amounted to approximately 60,553 sq. m., representing approximately 52.8% of the GFA available for sale during the year under review.

For the search for potential commercial occupiers of the Shenzhen GDH City Project, the Group, Luohu Government of Shenzhen and the SDE have reached an agreement, pursuant to which the SDE agreed that the Shenzhen office of its extended service platform will be located in the GDH City and it will continue to support the marketing efforts for the GDH City and encourage its members to locate their offices in the GDH City. On this basis, the Group is planned to work with the SDE to make the Shenzhen GDH City Project home to the SDE innovative business. At present, 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited), a wholly-owned subsidiary of the Company, has formally signed the cooperation and implementation agreement with the SDE. Further, the Group has entered into a property leasing services agreement with GDH Teem, a fellow subsidiary of the Company, in respect of the shopping mall of the Shenzhen GDH City Project. Pursuant to the agreement, GDH Teem shall grant the Group the right to use the name of “天河城” for the shopping mall under the Shenzhen GDH City Project and shall provide property leasing services for the shopping mall. GDH Teem is principally engaged in the provision of property leasing services, property investment and development, department stores operation, hotel ownership and operations in the PRC, and has extensive industry experience. The agreement enables the Group to access the quality property leasing services to be provided by GDH Teem.



Management Discussion and Analysis (continued)

Business Review (continued)

The Shenzhen GDH City Project (continued)

As at 31 December 2021, the accumulated development costs and direct expenses of the Shenzhen GDH City Project amounted to approximately HK\$6,918 million (31 December 2020: HK\$6,174 million), representing a net increase of approximately HK\$744 million during the year under review.

The Guangzhou Laurel House Project, the Ruyingju Project and the Baohuaxuan Project

The Guangzhou Laurel House Project completed the delivery of all residential units, the total GFA of residential units which had been delivered to customers during the year amounted to approximately 11,440 sq. m. (2020: 31,477 sq. m.). All residential units of the Ruyingju Project and the Baohuaxuan Project had been delivered, and car-parking spaces of these projects will be sold in the future as planned.

During the year under review, the commercial property “GD•Delin (粵海•得鄰)” of the Guangzhou Laurel House Project has ushered in several leading businesses and brands with distinctive characters that perfectly fit the position and theme of the project, i.e. its core positioning “high-end education-oriented community”. As at 31 December 2021, the total GFA of lease contracts signed in respect of the commercial shopping building of the Guangzhou Laurel House Project were approximately 16,855 sq. m. with an occupancy rate of approximately 91.8%.

The Group acquired the interests in the Guangzhou Laurel House Project, the Ruyingju Project and the Baohuaxuan Project in previous years, respectively. As the considerations paid for the acquisition of these projects were determined with reference to the then market values of these projects (but acquired at a discount), the carrying values (and future costs of sales) of properties of such projects included their development costs and fair value appreciation as of the completion dates of the acquisitions.

The Chenyuan Road Project

The Chenyuan Road Project is located at the southeast to the intersection of Chenyuan Road and Longteng Road and west to Fengxiang Road in Pengjiang District, Jiangmen City, the PRC with a site area of approximately 59,705 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 164,216 sq. m. The proposed types of properties, including residential units, commercial units, and car-parking spaces, will all be for sale. Jiangmen is positioned as the western gateway of the Greater Bay Area, with its value remaining at an underestimated level. Subsequent to improvements in the transportation infrastructure across the eastern and western bays, the future development of such area is expected to prosper. The project is situated in a region with high planning position and enjoys strong market prospects, as well as convenient location as a bonus. Possessing rare landscape resources and sound living amenities, the project embraces the conditions in becoming a regional benchmark project.

The project is being developed in phases. As at 31 December 2021, the superstructure of all phases was topped out, and the renovation works were in progress. The pre-sale of properties of the first phase development commenced in January 2021, with the project promoted as Jiangmen One Mansion (江門粵海•壹桂府).

Management Discussion and Analysis (continued)

Business Review (continued)

The Zhuhai Jinwan Project

The Zhuhai Jinwan Project is located at the west to Jinhui Road and north to Jinhe East Road in Jinwan District, Zhuhai City, the PRC with a site area of approximately 66,090 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 166,692 sq. m. The project is planned for commercial and residential uses. The proposed types of properties, including residential units, commercial units and car-parking spaces, will all be for sale. The high value potentials of the area where the project is located will improve the future development of the project. It is expected that there will be sound living and education amenities in the area. With the significant advantage in terms of location resources, the project enjoys promising market prospects.

The project is being developed in phases. As at 31 December 2021, the superstructure of the first phase properties was under construction, and basement structure works for the other properties were underway. The filing for completion of construction of the project is expected to be made in 2024. The pre-sale of properties of the first phase development commenced in June 2021, with the project promoted as Zhuhai Laurel House (珠海粤海 • 拾桂府).

The Foshan Laurel House Project

The Foshan Laurel House Project is located at west to Wenhua Road, south to Liming 2nd Road, Chancheng District, Foshan City, the PRC with a site area of approximately 43,284 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 151,493 sq. m. The project is planned for residential use compatible with commercial use. In addition, a nursery with area of 4,860 sq. m. is entrusted to be built with the project and gratuitously transferred to the government of Chancheng District, Foshan City upon completion. The project is positioned as a modern, top-notch and strong central of Foshan City, which is a place ideal for living, starting business and fostering innovation. Surrounded by two metro networks, its transportation is much convenient. Together with the well-established education, medical and commercial amenities nearby, the project has the advantages to be forged into an above-twin stations residential community featuring quality lifestyle. With the significant advantage in terms of location resources, the project enjoys promising market prospects.

The project is being developed in phases. As at 31 December 2021, the superstructure of each phase of the properties was under construction. The filing for completion of construction of the whole project is expected to be made in 2023. The pre-sale of properties of the first phase development commenced in October 2021, with the project promoted as Foshan Laurel House (佛山粤海 • 拾桂府).

The Zhongshan GDH City Project

The Zhongshan GDH City Project is located at the starting area of Tsuihang New District, Zhongshan City, the PRC, with a site area of approximately 98,811 sq. m. and a maximum total GFA included in the calculation of the plot ratio of approximately 247,028 sq. m. The project is planned for town residential use. Sitting in the core centre of the Greater Bay Area, the project is the bridgehead at the west bank of the Pearl River connecting to the Shenzhen Zhongshan Bridge. It therefore undergoes a rapid development and generates increasing market demand. With a superior seaview, the project will enjoy rich environmental landscape resources. Coupled with the plan to perfecting the region by education, medical and commercial facilities, the project is suitable to be developed as a low-density, ecological and quality residential community. With the significant advantage in terms of location, industries and transportation resources, the project enjoys promising market prospects.

The project is being developed in phases. As at 31 December 2021, the superstructure of each phase of the properties was under construction. The filing for completion of construction of the whole project is expected to be made in 2023. The pre-sale of properties of the first phase development commenced in September 2021, with the project promoted as Zhongshan GDH City (中山粤海城).



Management Discussion and Analysis (continued)

Business Review (continued)

The Jiangmen Ganhua Project

The acquisition of 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) (“Jiangmen Yuehai”) was completed on 13 January 2021. For details of the acquisition, please refer to the circular of the Company dated 25 November 2020. Jiangmen Yuehai mainly holds three adjoining parcels of land located at the east of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC with a total GFA of approximately 396,600 sq. m. (the “Jiangmen Land No. 3 – 5”). The land has been approved for city and town residential and other commercial and service uses. In addition, there is a parcel of land adjacent to the Jiangmen Land No. 3 – 5 with a GFA of approximately 41,597 sq. m. (the “Jiangmen Land No. 6”), which has been approved for medical and health, and commercial service uses; and subject to the approval of the relevant government authorities in accordance with the policy of “Three Olds” Renovation (「三舊」改造) in relation to, among others, the resettlement of the residents. Jiangmen Yuehai shall be entitled to acquire the relevant land use right in respect of Jiangmen Land No. 6 without paying any land premium. The Jiangmen Ganhua Project is located in a traditional old town district in Jiangmen City with high density population and a convenient transportation network. It is also adjacent to Xi River, connects to the Chaolian Talent Island and is accessible to five parks nearby, providing a quality living environment with an excellent river scenery.

The project is being developed in three phases. As at 31 December 2021, the superstructure of all properties on Land No. 3 was topped out and the renovation works were in progress; and the superstructure of some properties on Land No. 4 was topped out and the construction works of the superstructure of other properties were in progress. The filing for completion of construction of the whole project is expected to be made in December 2026. The pre-sale of properties of the first phase development commenced in May 2021, with the project promoted as Jiangmen GDH City (江門粵海城).

The Huizhou Dayawan Project

The acquisition of 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) (“Huiyang Yuehai”) was completed on 18 January 2021. For details of the acquisition, please refer to the circular of the Company dated 25 November 2020. Huiyang Yuehai mainly holds the Huizhou Dayawan Project through its wholly-owned subsidiary, 惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd.).

The Huizhou Dayawan Project is located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC with a GFA of approximately 92,094 sq. m. It is close to Xin’ao Avenue, a trunk road connecting Huiyang District and Dayawan District, and is only seven kilometres away from the Huizhou Highspeed Railway South Station. The project is positioned to be a quality urban residential community with natural slope land garden view. The project is being developed in one phase. As at 31 December 2021, the superstructure construction works of the development properties of the project were in progress. The pre-sale of properties is expected to commence in the second quarter of 2022. The filing for completion of construction of the project is expected to be made in 2023, with the project promoted as Huizhou One Mansion (惠州粵海•壹桂府).

Management Discussion and Analysis (continued)

Financial Review

Key Financial Indicators

	Note	2021	2020	Change
Profit attributable to owners of the Company (HK\$'000)		1,402,249	1,681,922	-16.6%
Return on equity (%)	1	18.3%	29.0%	-36.9%
		31 December 2021	31 December 2020	Change
Net assets (HK\$ million)		9,318	6,955	+34.0%

Note:

1. Return on equity = Profit attributable to owners of the Company ÷ average equity attributable to owners of the Company

During the year under review, the Group recorded a decrease in profit attributable to owners of the Company as compared to the same period last year, which was mainly attributable to the first-time adoption of the fair value model measurement of the investment properties under development built on the Southern Land of the Shenzhen GDH City Project as at 30 June 2020 and the fair value changes of these investment properties under development being recognised in the consolidated statement of profit or loss, resulting in the significant fair value gains on investment properties. For details, please refer to the section headed "Results" in this Management Discussion and Analysis.

Operating Income, Expenses and Finance Costs

In 2021, the Group recorded selling and marketing expenses of approximately HK\$577 million (2020: HK\$209 million), representing an increase of approximately 176.1% from the previous year. The increase in selling and marketing expenses was mainly due to the increase in related sales activities and sales commissions in relation to the first phase development of the Shenzhen GDH City Project and the Guangzhou Laurel House Project as well as the increase in expenses of the related marketing and sales activities of five new projects which pre-sale commenced during the year. The Group's administrative expenses for 2021 amounted to approximately HK\$282 million (2020: HK\$192 million), representing an increase of approximately 46.9% from the previous year. The increase of administrative expenses during the year under review was mainly attributable to an increase in wages and related expenditures, an increase in professional fees due to business development and acquisition activities and an increase in the business taxes and surcharges of approximately HK\$49.19 million (2020: HK\$35.18 million) due to an increase in revenue.

During the year under review, the Group borrowed loans to support its business development and recorded finance costs of approximately HK\$693 million (2020: HK\$225 million), of which approximately HK\$571 million was capitalised while the remaining portion of approximately HK\$122 million was charged to the statement of profit or loss.

Capital Expenditure

The amount of capital expenditure paid by the Group during 2021 was approximately HK\$969 million (2020: HK\$776 million). The capital expenditure was mainly used for the investment properties under development of the Shenzhen GDH City Project.

Management Discussion and Analysis (continued)

Financial Review (continued)

Financial Resources and Liquidity

As at 31 December 2021, the equity attributable to owners of the Company was approximately HK\$8,486 million (2020: HK\$6,836 million), representing an increase of approximately 24.1% over 2020. Based on the number of shares in issue as at 31 December 2021, the net asset value per share at the end of the year was approximately HK\$4.96 (2020: HK\$3.99) per share, representing an increase of approximately 24.3% over 2020.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$2,588 million (2020: HK\$2,647 million), representing a decrease of approximately 2.2% from the previous year. The decrease in cash and cash equivalents was mainly due to higher funding needs for the Group's business development during the year under review.

Of the Group's cash and bank balances (including restricted bank balances and cash and cash equivalents) as at 31 December 2021, approximately 99.5% was in RMB and approximately 0.5% was in HKD. Net cash outflows from operating activities for the year amounted to approximately HK\$9,643 million (2020: HK\$2,011 million).

As most of the transactions in the Group's daily operations in Mainland China are denominated in RMB, currency exposure from these transactions is low. During the year under review, the Group did not take the initiative to perform currency hedge for such transactions.

As at 31 December 2021, the Group had interest-bearing borrowings from certain banks and related parties of the Company amounting to approximately HK\$19,664 million (31 December 2020: HK\$7,762 million) in aggregate, with a gearing ratio¹ of approximately 183.3% (31 December 2020: 73.7%). According to the relevant loan agreements, approximately HK\$2,080 million of the interest-bearing loans are repayable within one year; approximately HK\$6,618 million are repayable within one to two years; the remaining approximately HK\$10,255 million are repayable within two to five years; and the remaining approximately HK\$711 million are repayable after five years. The Group obtained funds for business development through different financing channels and effectively controlled its finance costs. As at 31 December 2021, the weighted average effective interest rate of the Group's bank borrowings was 4.00% (31 December 2020: 4.59%) per annum. As at 31 December 2021, the banking facilities available to the Group were approximately RMB1,562 million (equivalent to approximately HK\$1,911 million). The Group reviews its funding needs from time to time according to the existing projects and other new investment businesses and considers obtaining funds through various financing means and channels so as to secure adequate financial resources for business development.

Asset Pledged and Contingent Liabilities

As at 31 December 2021, the Group's certain properties amounting to approximately HK\$11,506 million (31 December 2020: HK\$6,646 million) and the 100% equity interests of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.) and 珠海粵海置地有限公司 (Zhuhai Yuehai Land Co., Ltd.) were pledged to secure certain bank loans.

In addition, as at 31 December 2021, the Group provided guarantees of approximately HK\$800 million (31 December 2020: HK\$1,087 million) to certain banks in relation to the mortgage loans on properties sold (please refer to note 28 to the financial statements for details). Save for the above, the Group did not have any other material contingent liabilities as at 31 December 2021.

¹ Gearing ratio = (Interest-bearing loans + Lease liabilities - Cash and cash equivalents) ÷ Net assets

Management Discussion and Analysis (continued)

Risks and Uncertainties

As the Group is engaged in property development and investment businesses in the Mainland China, the risks and uncertainties of its business are principally associated with the property market and property prices in the Mainland China, and the Group's income in the future will be directly affected accordingly. The property market in the Mainland China is affected by a number of factors which include, among others, economic environment, property supply and demand, the PRC government's fiscal and monetary policies, taxation policies and austerity measures on the real estate sector, etc. At present, property development projects held by the Group are all located in first-tier cities or the Greater Bay Area and comprise different property types and uses, thereby effectively diversifies the operating risks of the Group.

As property development projects have a relatively long development period, the Company may need to seek external funding to partially finance the development of such projects. As such, financing channels and finance costs are subject to the prevailing market conditions, loan interest rates and the financial position of the Group. As at 31 December 2021, the Group had total outstanding interest-bearing loans of approximately HK\$19,664 million (31 December 2020: HK\$7,762 million).

According to the applicable accounting standards, investment properties of the Group were carried at fair value. The fair values of these investment properties are subject to the prices in the property markets in which they are located as at the end of each reporting periods. The fair value changes of such investment properties are recognised in the statement of profit or loss and affect the profit of the Group.

As the property development business has a relatively long product life cycle, the Group's future results and cash flows will be relatively volatile. To reduce the volatility of its revenue and profit, the commercial properties of the Guangzhou Laurel House Project and investment properties under development of the Shenzhen GDH City Project are held by the Group for lease in order to generate stable rental income for the Group in the future.

Relationship with Customers and Suppliers

Holding the interest of every customer in high regard, the Group provides training to its sales staff on a regular basis. The Group also provides its customers with adequate information about its products and responds to any issue and question raised by customers or potential customers regarding the products offered with the aim of building customers' confidence in the Company's products.

The Group's properties in relation to the property business were largely designed or constructed by a variety of suppliers and contractors. The Group selects appropriate suppliers for its major projects through an open, fair and impartial tendering process, maintains databases of supplier information and brand information, and have proper procedures in place to assess and evaluate suppliers. Besides, the Group attaches great importance to anti-graft and anti-corruption measures, meets with suppliers regularly, and conveys such information to them.



Management Discussion and Analysis (continued)

Policy and Performance on Environmental, Social and Governance

The Group strictly complies with the regulations enacted by the Mainland China and Hong Kong governments, including those in relation to environmental protection, social and governance. The Company's internal management for environmental, social and governance ("ESG") takes into consideration the views of various stakeholders, especially for important ESG issues, and is supported by staff members from all levels and departments of the Group. Staff members jointly implement and execute relevant internal policies and promptly respond to the expectations of stakeholders.

To further refine its ESG policies, the Group has been actively communicating with stakeholders such as employees, customers, business partners and suppliers, shareholders and investors, government authorities and regulators through various channels in order to gather comments and suggestions from them. Coupled with the management's expectations on development, the Group identifies and analyses important topics at two dimensions, namely "Significance to our Stakeholders" and "Importance to Guangdong Land's Development", by conducting proactive and comprehensive stakeholder communication from multiple perspectives in various ways, such as face-to-face communication, email correspondence, telephone interviews and on-site visits, with the assistance of an independent third-party professional consultant, thereby allowing the Group to envisage changes in the operating environment and consequently achieving the goals of sustainability and proper risk management.

The Group operates in the real estate industry and it is very important to strictly comply with environmental laws and regulations on construction works. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. The Group ensures that all newly constructed buildings comply with the environmental protection and energy conservation requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

To redouble its ESG efforts and uphold the corporate philosophy of sustainability, the Group has reviewed its ESG management structure during the year under review. In April 2021, the Company established the ESG Committee with the ESG Working Group under it. Authorised by the Board, the ESG Committee is responsible for determining the ESG management objectives, approaches and implementation paths, monitoring the implementation and effectiveness of the relevant policies and practices adopted, and leading and overseeing the work of the ESG Working Group, with the aim of improving its ESG performance.

The Company is in the process of preparing its ESG report for the year ended 31 December 2021. The information contained in this annual report is based solely on the Company's ESG policies, performance, along with information of internal management. As at the date of this annual report, the ESG information of the Group for the year ended 31 December 2021 has yet to be finalised and may be subject to necessary adjustments. Such information, which may differ from the information contained in this annual report, is expected to be published in May 2022.

Human Resources

The Group had 577 (31 December 2020: 401) employees as at 31 December 2021. The total employee remuneration and provident fund contributions (excluding directors' remuneration) in 2021 amounted to approximately HK\$283 million (2020: HK\$181 million).

The Group provides a range of basic benefits to its employees, and its incentive policy is designed to reward employees by reference to and integrating factors including the operating results of the Group and performance of individual employees. There was no share option scheme of the Company in operation during the year under review. The Group provides different training courses for its employees.

Directors' and Senior Management's Profile

Executive Directors

Mr. LAN Runing, aged 53, has been appointed as the Chairman, an Executive Director and the Chairman of the Nomination Committee of the Company in September 2021. He graduated from Sun Yat-Sen University, the PRC and obtained a Bachelor's degree in Philosophy. He also obtained a Master's degree in Business Management from South China University of Technology, the PRC. From 1996 to 2008, he held a number of positions at the General Office of Communist Party of China ("CPC") Guangdong Provincial Committee. Between 2008 and 2014, he worked as the director of Personnel Affairs (4th Division) of CPC Guangdong Provincial Committee's Organisation Department. Mr. Lan was appointed a deputy general manager of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH Limited ("GDH") in April 2014 and June 2019, respectively. He acted as an executive director of GDH from May 2014 to June 2019. Mr. Lan was appointed as a non-executive director of Guangdong Investment Limited ("GDI") in January 2015. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of GDI, respectively, which in turn is the immediate controlling shareholder of the Company. GDI is a listed company in Hong Kong. He is also the chairman of a subsidiary of the Company.

Mr. KUANG Hu, aged 44, has been appointed as the Vice Chairman and an Executive Director of the Company in February 2022. He was graduated from the Department of International Economics and Trading of Beijing Normal University, the PRC. He obtained a Master's degree in World Economics and a Doctoral degree in Finance from Sun Yat-Sen University, the PRC. In July 2003, Mr. Kuang joined Guangdong Holdings, and worked in the Strategic Development Department. From November 2012 to June 2015, he was appointed as a deputy general manager of the Strategic Development Department of both Guangdong Holdings and GDH. He was appointed as a general manager of the Operation Department of Guangdong Holdings and GDH for the period from July 2015 to August 2019 and the deputy chief financial officer of Guangdong Holdings and GDH for the period from September 2019 to December 2021. Mr. Kuang is currently a non-executive director of Guangdong Tannery Limited ("Guangdong Tannery"), and was the chairman and an executive director of such company for the period from September 2019 to December 2021. Guangdong Tannery is a Hong Kong listed company. He is also the vice chairman of a subsidiary of the Company.

Mr. LI Yonggang, aged 50, has been appointed as an Executive Director and the Managing Director of the Company in February 2020. He graduated from Hydraulic Architecture speciality of Wuhan University and holds a Bachelor's degree in Engineering. He also holds a Master's degree in Business Administration from Peking University. Mr. Li held various positions in 東深供水工程管理局 (Dongjiang-Shenzhen Water Supply Engineering Administration Bureau) for the period from 1994 to 2000, and acted as deputy director of financial planning division and production technology division respectively. He joined a subsidiary of Guangdong Holdings in October 2000 and acted as a chief engineer. He was a deputy general manager of the Company (formerly known as Kingway Brewery Holdings Limited) from March 2004 to January 2009 and also served as deputy executive director of various construction projects. He acted as a deputy general manager of engineering management department of Guangdong Holdings and a deputy executive general manager of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# successively during the period from January 2009 to January 2014. Mr. Li has been a director and general manager of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# and GDH Real Estates (China) Limited# since January 2014, and was subsequently appointed as the chairman of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)# in July 2020. Before he was promoted to the Managing Director, he acted as a deputy executive general manager of the Company since August 2016. He is also the chairman of certain subsidiaries of Guangdong Holdings and GDH, and a director of a subsidiary of the Company.

Directors' and Senior Management's Profile

(continued)

Executive Directors (continued)

Mr. WU Mingchang, aged 57, was appointed a Non-Executive Director of the Company in March 2016 and has been then re-designated as an Executive Director of the Company in June 2016. Mr. Wu holds a Bachelor of Laws degree and a Master of Laws degree in International Law from Sun Yat-Sen University, the PRC, a Master's degree in Human Geography from Sun Yat-Sen University, the PRC, and a Doctor's degree in Civil and Commercial Law from the School of Law of Wuhan University, the PRC. He served as the deputy division chief, division chief and deputy director of the Guangzhou Urban Planning Bureau, the deputy chief executive of the Haizhu District Government of Guangzhou City, and the director and party secretary of the Legislative Affairs Office of Guangzhou Municipal Government. Mr. Wu was an executive director of GDH and is currently the general counsel of Guangdong Holdings and GDH. He is also a director of a subsidiary of the Company.

Ms. ZHU Guang, aged 41, has been appointed as an Executive Director of the Company in October 2019. She has over 19 years of extensive experience in financial management, auditing and accounting. Ms. Zhu was graduated from Faculty of Accountancy of Jinan University (Certified Public Accountant) and holds a Bachelor's degree in Management. She is an intermediate accountant, a non-practising member of the Chinese Institute of Certified Public Accountants and an affiliate of the Association of Chartered Certified Accountants. Ms. Zhu joined Guangdong Holdings in October 2014 and was the strategic management manager and senior manager of its strategic development department. She was also a director of 廣東粵海資產經營有限公司 (Guangdong Assets Management Co., Ltd.) (formerly known as 廣東粵港資產經營有限公司 (Guangdong Yuegang Assets Management Co., Ltd.))*#. Ms. Zhu is currently the deputy general manager of the investment and capital operations department of Guangdong Holdings and GDH. She is also a director of certain subsidiaries of Guangdong Holdings and GDH and a director of a subsidiary of the Company.

Mr. JIAO Li, aged 50, has been appointed as an Executive Director and the Chief Financial Officer of the Company in September 2021. He graduated from Zhongnan University of Economics and Law (major in Auditing) and holds a Bachelor's degree in Economics. He is an intermediate accountant. He held various positions in Accounting and Finance Division and Audit Division of 深圳市東深供水局 (Shenzhen Dongshen Water Supply Bureau) for the period from 1995 to 2000. Mr. Jiao joined a subsidiary of Guangdong Holdings in September 2000 and acted as a general manager of the Finance Department of 深圳市東深投資控股有限公司 (Shenzhen Dongshen Investment Holding Company Limited)*# from 2000 to 2002 and served as a director and chief financial officer of 東莞東深經濟發展有限公司 (Dongguan Dongshen Financial Development Company Limited) (formerly known as 東莞市東深經濟發展總公司 (Dongguan Dongshen Financial Development Corporation))*# from 2002 to 2004. He acted as chief financial officer of the engineering headquarter of 天河城塔樓 (Teem Tower) construction, the engineering headquarter of expansion construction for 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.) (formerly known as 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.))*# and 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited)*# successively during the period from 2004 to 2021. He was chief financial officer of 粵海置業投資(國際)有限公司 (Yuehai Property Investment (International) Limited)*# from January to August 2021. He is also a director of certain subsidiaries of Guangdong Holdings and GDH and a director of certain subsidiaries of the Company.

* These companies are subsidiaries of Guangdong Holdings

*# These companies are subsidiaries of GDI

Directors' and Senior Management's Profile

(continued)

Independent Non-Executive Directors

Mr. Alan Howard SMITH, *JP*, aged 78, has been appointed an Independent Non-Executive Director of the Company in January 1999. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company respectively.

Mr. Smith was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for ten years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014.

Mr. Smith is an independent non-executive director of ICBC Credit Suisse Asset Management Co., Ltd. and a member of the advisory council of Wheelock and Company Limited. He was an independent non-executive director of Wheelock and Company Limited from July 2012 to July 2020 (the shares of which were listed on the Hong Kong Stock Exchange and were delisted in July 2020) and an independent non-executive director of Genting Hong Kong Limited from August 2000 to January 2022 (the shares of which are listed on the Hong Kong Stock Exchange).

Mr. Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted a solicitor in England in 1967 and in Hong Kong in 1970.

Mr. Felix FONG Wo, *BBS, JP*, aged 71, has been appointed an Independent Non-Executive Director of the Company in January 2007. He is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee of the Company respectively.

Mr. Fong is a founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong has practised law for over 30 years, eight of which in Toronto. Mr. Fong undertook a number of community and social roles, such as the former chairman of the Chinese Canadian Association of Hong Kong, the Liquor Licensing Board and the Advisory Council on Food and Environmental Hygiene. Mr. Fong is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (9th and 10th Sessions), a director of China Overseas Friendship Association and a director of Hong Kong Basic Law Institute Limited. Mr. Fong is a Justice of Peace and has been awarded a Bronze Bauhinia Star by the Government of the Hong Kong SAR in recognition of his public service. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada. Mr. Fong is the honorary legal counsels of a number of nonprofit organisations in Hong Kong such as Hong Kong Institute of Professional Photographers Ltd. and The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is an independent non-executive director of a number of listed companies, namely Greenland Hong Kong Holdings Limited, Television Broadcasts Limited and Vesync Co., Ltd, the shares of the above three companies are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Bank of Shanghai (Hong Kong) Limited. He was an independent non-executive director of Evergreen International Holdings Limited from October 2010 to March 2020, Sheen Tai Holdings Group Company Limited from June 2012 to May 2020, WuXi Biologics (Cayman) Inc. from May 2017 to June 2020 and Xinming China Holdings Limited from June 2015 to October 2021, the shares of these companies are listed on the Hong Kong Stock Exchange.

Mr. Fong received his engineering degree in Canada in 1974 and his juris doctor from Osgoode Hall Law School in Toronto in 1978. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England, and one of the China-appointed attesting officers in Hong Kong appointed by the Ministry of Justice of China.



Directors' and Senior Management's Profile (continued)

Independent Non-Executive Directors (continued)

Mr. Vincent Marshall LEE Kwan Ho, *Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)*, aged 66, has been appointed an Independent Non-Executive Director of the Company in March 2009. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee of the Company respectively.

Mr. Lee is the chairman of Tung Tai Group of Companies. He is an independent non-executive director of HK Asia Holdings Limited whose shares are listed on the Hong Kong Stock Exchange. Mr. Lee was an independent non-executive director of Hong Kong Exchanges and Clearing Limited between April 2000 and April 2017 and was a non-executive director of Lerthai Group Limited between March 2013 and June 2017, the shares of the above two companies are listed on the Hong Kong Stock Exchange. Mr. Lee has over 36 years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981, and for HSBC group, Hong Kong & Vancouver from 1981 to 1990.

He has undertaken a number of public service and community activities. Mr. Lee is at present a deputy of the National People's Congress of PRC, and vice-chairman of Standing Committee of the Hong Kong Association for the Promotion of Peaceful Reunification of China. He is also the chairman of Correctional Services Children's Education Trust Investment Advisory Board, and a member of the Council of The Chinese University of Hong Kong.

He was the chairman of the Sir Murray MacLehose Trust Fund Investment Advisory Committee between December 2012 and November 2018, a non-official member of Financial Services Development Council from 2013 to January 2019, and the chairman of Hong Kong Guangxi CPPCC Members Friendship Association Limited from 2016 to 2018. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006, a member of Securities and Futures Appeals Tribunal from 2003 to 2009, and the chairman of the Institute of Securities Dealers Limited from 2005 to February 2009. He is a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its chairman from 2006 to 2008.

Mr. Lee graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science at the University of London, UK. He is a certified public accountant in State of California, USA and a fellow member of Hong Kong Institute of Certified Public Accountants.

Senior Management

The senior management of the Group comprises the six Executive Directors above, namely, Mr. LAN Runing, Mr. KUANG Hu, Mr. LI Yonggang, Mr. WU Mingchang, Ms. ZHU Guang and Mr. JIAO Li.

Report of the Directors

The directors (the “Directors”) of Guangdong Land Holdings Limited (the “Company”) herein present their report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in property development and investment businesses.

There were no significant changes in the nature of the Group’s principal activities during the year under review.

Business Review

A review of the business of the Group during the year under review and a discussion on the Group’s future business development are set out in the Chairman’s Statement on pages 4 to 7 and the Management Discussion and Analysis on pages 8 to 18 of this annual report.

Principal risks and uncertainties that the Group may be facing are set out in the section of the Management Discussion and Analysis on pages 17 to this annual report. The financial risk management objectives and policies of the Group are provided in note 32 to the financial statements on pages 129 to 135 of this annual report.

An analysis of the Group’s performance during the year under review using financial key performance indicators is provided in the section of the Management Discussion and Analysis on page 15 of this annual report.

Discussion on the Group’s environmental policy and compliance with the relevant laws and regulations that have a significant impact on the Company is set out in the section of the Management Discussion and Analysis on pages 18 to this annual report.

The Company’s key relationships with its employees, customers and suppliers and business associates that have a significant impact on the Company and on which the Company’s success depends are provided in the section of the Management Discussion and Analysis on pages 17 to 18, the section of this report on page 53, the section of the Corporate Governance Report on page 66 and note 2(m) to the financial statements on pages 91 to 92 of this annual report.

Report of the Directors (continued)

Financial Summary

A summary of the results and the financial position of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

Results

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	6,006,392	4,000,332	1,836,676	312,421	186,694
Fair value gains on investment properties	405,582	1,962,563	575,640	13,813	773
Gain on bargain purchase	—	—	—	296,737	—
Profit attributable to owners of the Company	1,402,249	1,681,922	341,063	224,263	49,287

Financial position

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	46,308,118	20,862,719	11,852,678	10,647,785	5,380,841
Total liabilities	(36,989,727)	(13,907,408)	(6,982,668)	(5,987,769)	(704,196)
Net assets	9,318,391	6,955,311	4,870,010	4,660,016	4,676,645
Non-controlling interest	(832,746)	(119,528)	(106,161)	(122,907)	(158,441)
Equity attributable to owners of the Company	8,485,645	6,835,783	4,763,849	4,537,109	4,518,204

Major Properties Held by the Group

Details of the particulars of major properties held by the Group as at 31 December 2021 are set out on pages 138 to 140 of this annual report.

Report of the Directors (continued)

Results and Dividends

The results of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the financial statements on pages 75 to 137.

No interim dividend was paid during the year under review and the Board of Directors (the “Board”) has resolved to recommend the payment of a final dividend of HK10.00 cents per ordinary share for the year ended 31 December 2021 (2020: HK1.53 cents per ordinary share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 23 June 2022 at 10:30 a.m. (the “2022 Annual General Meeting”), is expected to be paid on or about Thursday, 21 July 2022 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 June 2022.

The register of members of the Company will be closed on Thursday, 30 June 2022 for the purpose of determining shareholders’ entitlement to the proposed final dividend. No transfer of shares will be registered on that day. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 29 June 2022.

The register of members of the Company will be closed and no transfer of shares will be effected during the period from Monday, 20 June 2022 to Thursday, 23 June 2022, both days inclusive, for determining the shareholders’ eligibility to attend and vote at the 2022 Annual General Meeting.

In order to qualify for attending and voting at the 2022 Annual General Meeting, unregistered holders of shares of the Company should ensure that all transfers documents accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at the above address for registration not later than 4:30 p.m. on Friday, 17 June 2022.

Share Capital

There were no movements in the Company’s share capital during the year under review.

Distributable Reserves

As at 31 December 2021, the Company’s reserves available for distribution, calculated in accordance with the provision of the Companies Act 1981 of Bermuda, amounted to HK\$2,497,319,000.

In addition, the Company’s share premium of HK\$1,688,606,000 may be distributed in the form of fully paid bonus shares.

Charitable Donations

There were no charitable donations made by the Group during the year under review.

Retirement Benefits Schemes

Particulars of the Group’s retirement benefits schemes are set out in note 2(m)(ii) to the financial statements.



Report of the Directors (continued)

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 34 to the financial statements.

Directors

The Directors of the Company during the year under review and up to the date of this report are:

Executive Directors

LAN Runing (*Chairman*) (appointed with effect from 15 September 2021)

KUANG Hu (*Vice Chairman*) (appointed with effect from 28 February 2022)

LI Yonggang (*Managing Director*)

WU Mingchang

ZHU Guang

JIAO Li (*Chief Financial Officer*) (appointed with effect from 15 September 2021)

XU Yeqin (resigned with effect from 15 September 2021)

ZHANG Jun (resigned with effect from 15 September 2021)

Independent Non-Executive Directors

Alan Howard SMITH

Felix FONG Wo

Vincent Marshall LEE Kwan Ho

In accordance with Bye-law 86(2) of the Company's Bye-laws (the "Bye-Laws"), after the last general meeting of the Company, Mr. LAN Runing and Mr. JIAO Li who have been appointed as Directors on 15 September 2021, while Mr. KUANG Hu who has been appointed as a Director on 28 February 2022, will hold office until the next general meeting and, shall be eligible for re-election at the forthcoming 2022 Annual General Meeting.

In accordance with Bye-law 87 of the Bye-Laws, Mr. Alan Howard SMITH and Mr. Felix FONG Wo will retire by rotation at the 2022 Annual General Meeting and shall be eligible for re-election.

Mr. LAN Runing, Mr. KUANG Hu, Mr. JIAO Li, Mr. Alan Howard SMITH and Mr. Felix FONG Wo, being eligible, have offered themselves for re-election and if re-elected, they will hold office from the date of re-election, to the earlier of (a) the conclusion of the annual general meeting of the Company to be held in 2025; or (b) 30 June 2025, subject to earlier determination in accordance with the Bye-Laws and/or any applicable laws and regulations.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2022 Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors (continued)

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the "Connected Transactions" section on pages 32 to 51 of this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Permitted Indemnity Provision

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2021. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Interests in Competing Business

The interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2021 and up to the date of this report are as follows:

I. Core Business Activities of the Group

Property development and investment

II. Interests in Competing Business

Name of Director	Name of entity ^(Note 1)	Nature of interest ^(Note 1)	Competing Business
LAN Runing ^(Note 2)	Guangdong Investment Limited	non-executive director	Property development and investment
LI Yonggang	廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) ^(Note 3)	chairman and managing director	Property development and investment
	GDH Real Estates (China) Limited ^(Note 4)	chairman and managing director	Property development and investment
	廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) ^(Note 5)	chairman ^(Note 6)	Property development and investment
	廣州市朝粵房地產有限公司 (Guangzhou Chaoyue Real Estate Co., Ltd.) ^(Note 4)	director ^(Note 7)	Property development and investment
	廣州粵海天河城投資有限公司 (Guangzhou Yuehai Teem Investment Limited) ^(Note 5)	director ^(Note 8)	Property development and investment

Report of the Directors (continued)

Directors' Interests in Competing Business (continued)

II. Interests in Competing Business (continued)

Name of Director	Name of entity ^(Note 1)	Nature of interest ^(Note 1)	Competing Business
JIAO Li ^(Note 9)	廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) ^(Note 3)	director ^(Note 10)	Property development and investment
	廣州南沙粵海地產有限公司 (Guangzhou Nansha Yuehai Real Estates Limited) ^(Note 4)	director ^(Note 11)	Property development and investment
ZHANG Jun ^(Note 12)	廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) ^(Note 3)	director	Property development and investment
	GDH Real Estates (China) Limited ^(Note 4)	director ^(Note 13)	Property development and investment
	廣東粵海城市投資有限公司 (Guangdong Yuehai City Investment Co., Ltd.) ^(Note 3)	director ^(Note 14)	Property development and investment
	廣州粵海天河城投資有限公司 (Guangzhou Yuehai Teem Investment Limited) ^(Note 5)	director ^(Note 15)	Property development and investment
	廣州南沙粵海地產有限公司 (Guangzhou Nansha Yuehai Real Estates Limited) ^(Note 4)	director	Property development and investment

Report of the Directors (continued)

Directors' Interests in Competing Business (continued)

II. Interests in Competing Business (continued)

Notes:

1. The aforementioned entities are engaged in, among others, property development and investment. The interests of each of the aforementioned Directors in the businesses of the aforementioned entities may also arise through their respective directorships in its holding companies, subsidiaries, associated companies or other form of investment vehicles of such entities.
2. Mr. LAN Runing has been appointed as the Chairman and an Executive Director of the Company with effect from 15 September 2021.
3. Subsidiary of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings").
4. Subsidiary of GDH Limited ("GDH").
5. Subsidiary of Guangdong Investment Limited ("GDI").
6. Mr. LI Yonggang ceased to act as the chairman of 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited) with effect from 19 September 2021.
7. Mr. LI Yonggang ceased to act as a director of 廣州市朝粵房地產有限公司 (Guangzhou Chaoyue Real Estate Co., Ltd.) with effect from 4 September 2021.
8. Mr. LI Yonggang ceased to act as a director of 廣州粵海天河城投資有限公司 (Guangzhou Yuehai Teem Investment Limited) with effect from 4 January 2021.
9. Mr. JIAO Li has been appointed as an Executive Director of the Company with effect from 15 September 2021.
10. Mr. JIAO Li has been appointed as a director of 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) with effect from 15 December 2021.
11. Mr. JIAO Li has been appointed as a director of 廣州南沙粵海地產有限公司 (Guangzhou Nansha Yuehai Real Estates Limited) with effect from 13 December 2021.
12. Mr. ZHANG Jun resigned as an Executive Director of the Company with effect from 15 September 2021.
13. Mr. ZHANG Jun resigned as a director of GDH Real Estates (China) Limited with effect from 15 March 2022.
14. Mr. ZHANG Jun ceased to act as a director of 廣東粵海城市投資有限公司 (Guangdong Yuehai City Investment Co., Ltd.) with effect from 1 July 2021.
15. Mr. ZHANG Jun ceased to act as a director of 廣州粵海天河城投資有限公司 (Guangzhou Yuehai Teem Investment Limited) with effect from 4 January 2021.

Report of the Directors (continued)

Management Contracts

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

Directors' Interests and Short Positions in Securities

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be: (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests and short positions in the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held ^(Note)
JIAO Li	Personal	200,000	Long position	0.012%
Alan Howard SMITH	Personal	317,273	Long position	0.019%
Vincent Marshall LEE Kwan Ho	Corporate	1,000,000	Long position	0.058%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year under review was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

Report of the Directors (continued)

Substantial Shareholders' Interests

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

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held ^(Note 1)
廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ^(Note 2)	Interest in controlled corporation	1,263,494,221	Long position	73.82%
GDH Limited ^(Note 2)	Interest in controlled corporation	1,263,494,221	Long position	73.82%
Guangdong Investment Limited	Beneficial owner	1,263,494,221	Long position	73.82%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of the Company in issue as at 31 December 2021.
2. The attributable interest which Guangdong Holdings has in the Company is held through its wholly-owned subsidiary, namely GDH, and the attributable interest of the latter is held through its subsidiary, GDI.

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

Report of the Directors (continued)

Connected Transactions

The Group's connected transactions and continuing connected transactions conducted during the year and subsequent to the year under review, and disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

I. Connected Transactions

(1) *Provision of Loan by the Wanhua No.1 Partnership for investing in the Foshan Wanhua Project*

The Group has adopted the Property Project Co-investment Scheme which allows the participants to invest in different property projects of the Group in the form of loan to be provided to the respective project companies of the Group. Accordingly, certain participants (including directors of the Company and/or its subsidiaries, hence connected persons of the Company) have formed 珠海置勝灣華一號投資合夥企業(有限合夥) (Zhuhai Zhisheng Wanhua No.1 Partnership Enterprise (Limited Partnership)) (the "Wanhua No.1 Partnership") for the purpose of investing in the Foshan Wanhua Project.

On 16 April 2021, 佛山粵海置地有限公司 (Foshan Yuehai Land Co., Ltd.) ("GDL Foshan"), a wholly-owned subsidiary of the Company, and the Wanhua No.1 Partnership entered into a loan agreement (the "Wanhua No.1 Loan Agreement"), pursuant to which GDL Foshan has agreed to borrow a loan in the principal amount of RMB4,440,000 (equivalent to approximately HK\$5,282,000) from the Wanhua No.1 Partnership.

As certain partners of the Wanhua No.1 Partnership are or controlled by directors of the Company and/or its subsidiaries (hence connected persons of the Company), the Wanhua No.1 Loan Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the independent shareholders' approval requirement. Further details of the transaction are set out in the announcement of the Company dated 16 April 2021.

(2) *Provision of Loan by the Shenzhong No.1 Partnership for investing in the Zhongshan Ma'an Island Project*

The Group has adopted the Property Project Co-investment Scheme which allows the participants to invest in different property projects of the Group in the form of loan to be provided to the respective project companies of the Group. Accordingly, certain participants (including directors of the Company and/or its subsidiaries, hence connected persons of the Company) have formed 珠海置勝深中一號投資合夥企業(有限合夥) (Zhuhai Zhisheng Shenzhong No.1 Partnership Enterprise (Limited Partnership)) (the "Shenzhong No.1 Partnership") for the purpose of investing in the Zhongshan Ma'an Island Project.

On 16 April 2021, 中山粵海置地有限公司 (Zhongshan Yuehai Land Co., Ltd.) ("GDL Zhongshan"), a non-wholly owned subsidiary of the Company, and the Shenzhong No.1 Partnership entered into a loan agreement (the "Shenzhong No.1 Loan Agreement"), pursuant to which GDL Zhongshan has agreed to borrow a loan in the principal amount of RMB5,260,000 (equivalent to approximately HK\$6,257,000) from the Shenzhong No.1 Partnership.

As certain partners of the Shenzhong No.1 Partnership are or controlled by directors of the Company and/or its subsidiaries (hence connected persons of the Company), the Shenzhong No.1 Loan Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the independent shareholders' approval requirement. Further details of the transaction are set out in the announcement of the Company dated 16 April 2021.

Report of the Directors (continued)

Connected Transactions (continued)

I. Connected Transactions (continued)

- (3) *Provision of Loan by the Yungang No.1 Partnership for investing in the Guangzhou Yungang City Project*

The Group has adopted the Property Project Co-investment Scheme which allows the participants to invest in different property projects of the Group in the form of loan to be provided to the respective project companies of the Group. Accordingly, certain participants (including directors of the Company and/or its subsidiaries, hence connected persons of the Company) have formed 珠海置勝雲港一號投資合夥企業(有限合夥) (Zhuhai Zhisheng Yungang No.1 Investment Partnership Enterprise (Limited Partnership)) (the "Yungang No.1 Partnership") for the purpose of investing in the Guangzhou Yungang City Project.

On 17 December 2021, 廣東粵海置地發展有限公司 (Guangdong Yuehai Land Development Co., Ltd.) ("GDL Development"), a wholly-owned subsidiary of the Company, and the Yungang No.1 Partnership entered into a loan agreement (the "Yungang No.1 Loan Agreement"), pursuant to which GDL Development has agreed to borrow a loan in the principal amount of RMB7,970,000 (equivalent to approximately HK\$9,771,000) from the Yungang No.1 Partnership.

As certain partners of the Yungang No.1 Partnership are or controlled by directors of the Company and/or its subsidiaries (hence connected persons of the Company), the Yungang No.1 Loan Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the independent shareholders' approval requirement. Further details of the transaction are set out in the announcement of the Company dated 17 December 2021.

II. Continuing Connected Transactions — Property Management Services Related Agreements

- (1) *Property Management Services Agreement of the Guangzhou Laurel House*

On 26 October 2016, 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.) ("Guangdong Property Development"), a wholly-owned subsidiary of the Company, and 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd.) ("Yuehai Property Management") entered into the preliminary property management services agreement of the Laurel House (originally known as Yuehai Zhuguang Yashe District) (the "Property Management Services Agreement of the Guangzhou Laurel House"), pursuant to which, Yuehai Property Management shall provide certain property management services to Guangdong Property Development in respect of the properties of the Zhuguanglu Project (now named as the Guangzhou Laurel House Project) for the period from 1 September 2016 to 31 August 2019 (both days inclusive).

On 30 August 2019, Guangdong Property Development and Yuehai Property Management entered into the supplemental agreement to the Property Management Services Agreement of the Guangzhou Laurel House (the "First Supplemental Agreement"), pursuant to which, Yuehai Property Management shall continue to provide certain property management services in respect of the Guangzhou Laurel House properties to Guangdong Property Development for the period from 1 September 2019 to 31 December 2020 (both days inclusive).

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(1) *Property Management Services Agreement of the Guangzhou Laurel House (continued)*

On 13 November 2020, Guangdong Property Development and Yuehai Property Management entered into the second supplemental agreement to the Property Management Services Agreement of the Guangzhou Laurel House (the “Second Supplemental Agreement”), pursuant to which, Yuehai Property Management shall continue to provide property management services in respect of the Guangzhou Laurel House properties to Guangdong Property Development for the period from 1 January 2021 to 31 December 2021 (both days inclusive). Yuehai Property Management shall also provide property management services to 僑商樓 (Qiaoshang Building) of the Guangzhou Laurel House properties for the period from 1 January 2021 to 31 December 2021 (both days inclusive).

During the year under review, the relevant total service fees paid by Guangdong Property Development to Yuehai Property Management amounted to approximately RMB2,051,000 (equivalent to approximately HK\$2,470,000) (2021 annual cap: RMB3,000,000 (equivalent to approximately HK\$3,509,000)).

Further details of the transactions are set out in the announcements of the Company dated 18 July 2018, 30 August 2019 and 13 November 2020, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

(2) *Jiangmen Yiguifu Project Site (Sales Centre and Sample Units) Property Services Agreement*

On 13 November 2020, 江門市粵海置地房地產投資有限公司 (Jiangmen Yuehai Land Real Estate Investment Co., Ltd.) (“GDL Jiangmen”), a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the First Jiangmen Yiguifu Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Jiangmen in respect of the sales centre and sample units of the project for the period from 15 November 2020 to 31 December 2021 (both days inclusive).

On 10 December 2021, GDL Jiangmen and Yuehai Property Management entered into the Second Jiangmen Yiguifu Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall continue to provide property management services to GDL Jiangmen in respect of the sales centre and sample units of the project for the period from 1 January 2022 to 31 December 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by GDL Jiangmen to Yuehai Property Management were approximately RMB3,789,000 (equivalent to approximately HK\$4,564,000) (2021 annual cap: RMB5,000,000 (equivalent to approximately HK\$5,849,000)).

Further details of the transactions are set out in the announcements of the Company dated 13 November 2020 and 10 December 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(3) *Shenzhen City Preliminary Property Services Agreement*

On 13 November 2020, 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited) (“Guangdong Yuehai Land”), a wholly-owned subsidiary of the Company, and 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.) (“Teem Management Co”) entered into the Shenzhen City Preliminary Property Services Agreement, pursuant to which, Teem Management Co shall provide property management services to Guangdong Yuehai Land in respect of the properties of the Yuecai City (Northern Land) of the Buxin Project for the period from 13 November 2020 to 12 November 2022 (both days inclusive).

During the year under review, no service fee was paid by Guangdong Yuehai Land to Teem Management Co (2021 annual cap: RMB1,000,000 (equivalent to approximately HK\$1,170,000)).

Further details of the transaction are set out in the announcement of the Company dated 13 November 2020.

(4) *Yuecai City Sales Centre Property Services Agreement*

On 3 January 2020, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and 深圳市粵海悅生活物業管理有限公司 (Shenzhen Yuehai Yueshenghuo Property Management Co., Ltd.) (“Yuehai Yueshenghuo”) entered into the Yuecai City Sales Centre Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land at the sales centre of Yuecai City of the Buxin Project for the period from 1 January 2020 to 31 December 2020 (both days inclusive).

On 19 November 2020, Guangdong Yuehai Land and Yuehai Yueshenghuo entered into the Supplemental Agreement to the Yuecai City Sales Centre Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Guangdong Yuehai Land at the sales centre of Yuecai City for the period from 1 January 2021 to 31 May 2021 (both days inclusive).

During the year under review, the relevant total service fees paid by Guangdong Yuehai Land to Yuehai Yueshenghuo were approximately RMB1,734,000 (equivalent to approximately HK\$2,089,000) (2021 annual cap: RMB3,000,000 (equivalent to approximately HK\$3,552,000)).

Further details of the transactions are set out in the announcement of the Company dated 19 November 2020, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.



Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(5) *Yuecai City North Tower Sales Centre and Sample Units Demonstration Area Property Services Agreement*

On 26 March 2021, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Teem Management Co entered into the 2021 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement, pursuant to which, Teem Management Co shall provide property management services to Guangdong Yuehai Land in respect of the sales centre and sample unit demonstration area of the project for the period from 1 April 2021 to 31 March 2022 (both days inclusive).

On 30 March 2022, Guangdong Yuehai Land and Yuehai Yueshenghuo entered into the 2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land in respect of the sales centre and sample unit demonstration area of the project for the period from 1 April 2022 to 31 March 2023 (both days inclusive) (please see item (2) of paragraph VI below).

During the year under review, the relevant total service fees paid by Guangdong Yuehai Land to Teem Management Co were approximately RMB3,437,000 (equivalent to approximately HK\$4,140,000) (2021 annual cap: RMB4,000,000 (equivalent to approximately HK\$4,754,000)).

Further details of the transaction are set out in the announcements of the Company dated 26 March 2021 and 30 March 2022, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

(6) *Buji Factory Property Services Agreement*

On 31 March 2020, 粤海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd.) (“Yuehai Technology”), a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the First Buji Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Yuehai Technology in respect of the Buji factory premises of Yuehai Technology for the period from 1 April 2020 to 31 March 2021 (both days inclusive).

On 26 March 2021, Yuehai Technology and Yuehai Yueshenghuo entered into the Second Buji Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Yuehai Technology in respect of that Buji factory premises for the period from 1 April 2021 to 31 March 2023 (both days inclusive).

During the year under review, the relevant service fees paid by Yuehai Technology to Yuehai Yueshenghuo were approximately RMB504,000 (equivalent to approximately HK\$607,000) (2021 annual cap: RMB610,000 (equivalent to approximately HK\$785,000)).

Further details of the transactions are set out in the announcements of the Company dated 19 November 2020 and 26 March 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(7) *Shiyan Factory Property Services Agreement*

On 31 March 2020, Yuehai Technology, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the First Shiyan Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Yuehai Technology in respect of the Shiyan factory premises of Yuehai Technology for the period from 1 April 2020 to 31 March 2021 (both days inclusive).

On 26 March 2021, Yuehai Technology and Yuehai Yueshenghuo entered into the Second Shiyan Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Yuehai Technology in respect of that Shiyan factory premises for the period from 1 April 2021 to 31 March 2023 (both days inclusive).

During the year under review, the relevant service fees paid by Yuehai Technology to Yuehai Yueshenghuo were approximately RMB273,000 (equivalent to approximately HK\$329,000) (2021 annual cap: RMB330,000 (equivalent to approximately HK\$392,000)).

Further details of the transactions are set out in the announcements of the Company dated 19 November 2020 and 26 March 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

(8) *Jiangmen Yiguifu Preliminary Property Services Agreement*

On 26 March 2021, GDL Jiangmen, a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Jiangmen Yiguifu Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Jiangmen for the Jiangmen One Mansion (江門粵海壹桂府) Project for the period from 26 March 2021 to 25 March 2024 (both days inclusive).

During the year under review, no service fee was paid by GDL Jiangmen to Yuehai Property Management.

Further details of the transaction are set out in the announcement of the Company dated 26 March 2021.

(9) *Jiangmen Laurel House Preliminary Property Services Agreement*

On 26 March 2021, 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) (“Jiangmen Yuehai Land”), a non-wholly owned subsidiary of the Company, and Yuehai Property Management entered into the Jiangmen Laurel House Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to Jiangmen Yuehai Land for the Jiangmen Laurel House Project for the period from 26 March 2021 to 25 March 2024 (both days inclusive).

During the year under review, no service fee was paid by Jiangmen Yuehai Land to Yuehai Property Management.

Further details of the transaction are set out in the announcement of the Company dated 26 March 2021.

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(10) Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement

On 26 March 2021, Jiangmen Yuehai Land, a non-wholly owned subsidiary of the Company, and Yuehai Property Management entered into the First Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to Jiangmen Yuehai Land in respect of the sales centre and sample units of the project for the period from 26 March 2021 to 31 December 2021 (both days inclusive).

On 10 December 2021, Jiangmen Yuehai Land and Yuehai Property Management entered into the Second Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall continue to provide property management services to Jiangmen Yuehai Land in respect of the sales centre and sample units of the project for the period from 1 January 2022 to 31 December 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by Jiangmen Yuehai Land to Yuehai Property Management were approximately RMB5,325,000 (equivalent to approximately HK\$6,414,000) (2021 annual cap: RMB6,000,000 (equivalent to approximately HK\$7,131,000)).

Further details of the transactions are set out in the announcements of the Company dated 26 March 2021 and 10 December 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

(11) Zhuhai Jinwan Project Site (Sales Centre and Sample Units) Property Services Agreement

On 10 May 2021, 珠海粤海置地有限公司 (Zhuhai Yuehai Land Co., Ltd.) (“GDL Zhuhai”), a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the First Zhuhai Jinwan Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Zhuhai in respect of the sales centre and sample units of the project for the period from 10 May 2021 to 31 December 2021 (both days inclusive).

On 10 December 2021, GDL Zhuhai and Yuehai Property Management entered into the Second Zhuhai Jinwan Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall continue to provide property management services to GDL Zhuhai in respect of the sales centre and sample units of the project for the period from 1 January 2022 to 31 December 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by GDL Zhuhai to Yuehai Property Management were approximately RMB3,802,000 (equivalent to approximately HK\$4,580,000) (2021 annual cap: RMB4,200,000 (equivalent to approximately HK\$5,063,000)).

Further details of the transactions are set out in the announcements of the Company dated 10 May 2021 and 10 December 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(12) Zhuhai Jinwan Project Preliminary Property Services Agreement

On 10 May 2021, GDL Zhuhai, a wholly-owned subsidiary of the Company, and Yuehai Property Management Zhuhai Branch entered into the Zhuhai Jinwan Project Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management Zhuhai Branch shall provide property management services to GDL Zhuhai for the Zhuhai Jinwan Project for the period from 10 May 2021 to 9 May 2024 (both days inclusive).

During the year under review, no service fee was paid by GDL Zhuhai to Yuehai Property Management Zhuhai Branch.

Further details of the transaction are set out in the announcement of the Company dated 10 May 2021.

(13) Zhongshan Ma'an Island Project Site (Sales Centre and Sample Units) Property Services Agreement

On 27 July 2021, 中山粵海置地有限公司 (Zhongshan Yuehai Land Co., Ltd.) (“GDL Zhongshan”), a non-wholly owned subsidiary of the Company, and Yuehai Property Management entered into the First Zhongshan Ma'an Island Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Zhongshan in respect of sales centre and sample units of the project for the period from 27 July 2021 to 31 December 2021 (both days inclusive).

On 10 December 2021, GDL Zhongshan and Yuehai Property Management entered into the Second Zhongshan Ma'an Island Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall continue to provide property management services to GDL Zhuhai in respect of the sales centre and sample units of the project for the period from 1 January 2022 to 31 December 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by GDL Zhongshan to Yuehai Property Management were approximately RMB3,359,000 (equivalent to approximately HK\$4,046,000) (2021 annual cap: RMB3,800,000 (equivalent to approximately HK\$4,566,000)).

Further details of the transactions are set out in the announcements of the Company dated 27 July 2021 and 10 December 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.



Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(14) *Zhongshan Yigui Garden Preliminary Property Services Agreement*

On 27 July 2021, GDL Zhongshan, a non-wholly owned subsidiary of the Company, and Yuehai Property Management entered into the Zhongshan Yigui Garden Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Zhongshan for the Zhongshan Yigui Garden (the legal standard geographical name of the Zhongshan Ma'an Island Project) for the period from 27 July 2021 to 9 May 2024 (both days inclusive).

During the year under review, no service fee was paid by GDL Zhongshan to Yuehai Property Management.

Further details of the transaction are set out in the announcement of the Company dated 27 July 2021.

(15) *Foshan Wanhua Project Site (Sales Centre and Sample Units) Property Services Agreement*

On 27 July 2021, 佛山粤海置地有限公司 (Foshan Yuehai Land Co., Ltd.) ("GDL Foshan"), a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Foshan Wanhua Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Foshan in respect of the sales centre and sample units of the project for the period from 27 July 2021 to 31 July 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by GDL Foshan to Yuehai Property Management were approximately RMB2,777,000 (equivalent to approximately HK\$3,345,000) (2021 annual cap: RMB3,280,000 (equivalent to approximately HK\$3,941,000)).

Further details of the transaction are set out in the announcement of the Company dated 27 July 2021, and note 31(a) to the financial statements — the transactions under "Property management services fees paid to fellow subsidiaries".

(16) *Foshan Yuehai Shiguiyuan Preliminary Property Services Agreement*

On 27 July 2021, GDL Foshan, a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Foshan Yuehai Shiguiyuan Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to GDL Foshan for the Foshan Yuehai Shiguiyuan (the legal standard geographical name of the Foshan Wanhua Project) for the period from 27 July 2021 to 9 May 2024 (both days inclusive).

During the year under review, no service fee was paid by GDL Foshan to Yuehai Property Management.

Further details of the transaction are set out in the announcement of the Company dated 27 July 2021.

Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

(17) GDH Plaza Preliminary Property Services Agreement

On 16 September 2021, Jiangmen Yuehai Land, a non-wholly owned subsidiary of the Company, and Yuehai Property Management entered into the GDH Plaza Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to Jiangmen Yuehai Land for the GDH Plaza (the property name on one of the land plots of the Jiangmen Ganhua Project) for the period from 16 September 2021 to 9 May 2024 (both days inclusive).

During the year under review, no service fee was paid by Jiangmen Yuehai Land to Yuehai Property Management.

On the basis that the Second Zhuhai Jinwan Project Site (Sales Centre and Sample Units) Property Services Agreement, the Second Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement, the Second Jiangmen Yiguifu Project Site (Sales Centre and Sample Units) Property Services Agreement, the Second Zhongshan Ma'an Island Project Site (Sales Centre and Sample Units) Property Services Agreement, the Huizhou Yuehai Riverside Garden Project Site (Sales Centre and Sample Units) Property Services Agreement (as mentioned below) and the GDH Plaza Preliminary Property Services Agreement are all related to the provision of property management services by Yuehai Property Management to the Group, the above six property management services agreements have been aggregated pursuant to the Listing Rules. Further details of the transaction are set out in the announcement of the Company dated 10 December 2021.

(18) The Huizhou Yuehai Riverside Garden Project Site (Sales Centre and Sample Units) Property Services Agreement

On 10 December 2021, 惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd.) ("Huizhou Property"), a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Huizhou Yuehai Riverside Garden Project Site (Sales Centre and Sample Units) Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to Huizhou Property in respect of the sales centre and sample units of the project for the period from 11 December 2021 to 31 August 2022 (both days inclusive).

During the year under review, no service fee was paid by Huizhou Property to Yuehai Property Management (2021 annual cap: RMB627,000 (equivalent to approximately HK\$768,000)).

Further details of the transaction are set out in the announcement of the Company dated 10 December 2021.

Yuehai Property Management, Yuehai Property Management Zhuhai Branch, Teem Management Co and Yuehai Yueshenghuo are subsidiaries of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, associates of Guangdong Holdings and connected persons of the Company. According to the Listing Rules, the entering into of each of the agreements under the above items (1) to (18) (collectively the "Property Management Services Agreements") constituted a continuing connected transaction of the Company. On a standalone basis, except for the agreement under item (17), the remaining transactions are subject to annual review, reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement.



Report of the Directors (continued)

Connected Transactions (continued)

II. Continuing Connected Transactions — Property Management Services Related Agreements (continued)

On a standalone basis, as all of the applicable percentage ratios in respect of the continuing connected transactions under the GDH Plaza Preliminary Property Services Agreement calculated at the date of signing of the agreement pursuant to the Listing Rules are less than 5% and the relevant annual cap amount is less than HK\$3,000,000, it is fully exempt from the annual review, announcement and independent shareholders' approval requirements.

As the highest applicable percentage ratio (on an aggregated basis) in respect of the relevant transactions contemplated under the Property Management Services Agreements calculated pursuant to the Listing Rules is more than 0.1% but all of the applicable percentage ratios are less than 5%, the Property Management Services Agreements are subject to the annual review, reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement.

III. Continuing Connected Transactions — Property Leasing Services Related Agreements

(1) *Guangdong Land Buxin Project Property Leasing Services Agreement*

On 15 January 2021, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited) ("GDH Teem") entered into the Guangdong Land Buxin Project Property Leasing Services Agreement, pursuant to which, GDH Teem shall (i) grant the right to use the name of "天河城" for the commercial and shopping center under the Buxin Project and (ii) provide property leasing services in respect of the commercial and shopping center under the Buxin Project, to Guangdong Yuehai Land for the period from 16 January 2021 to 15 January 2022 (both days inclusive).

During the year under review, the relevant total service fees paid by Guangdong Yuehai Land to GDH Teem were approximately RMB6,057,000 (equivalent to approximately HK\$7,296,000) (2021 annual cap: RMB12,650,000 (equivalent to approximately HK\$15,175,000)).

Further details of the transaction are set out in the announcement of the Company dated 15 January 2021, and note 31(a) to the financial statements — the transactions under "Property leasing services fees paid to fellow subsidiaries".

(2) *Laurel House Nursery Property Leasing Services Agreement*

On 24 December 2020, Guangdong Property Development, a wholly-owned subsidiary of the Company, and Teem Management Co entered into the Laurel House Nursery Property Leasing Services Agreement, pursuant to which, Teem Management Co shall provide property leasing services in respect of the Laurel House Nursery to Guangdong Property Development for the period from 1 January 2021 to 31 December 2023 (both days inclusive).

During the year under review, the relevant total service fees paid by Guangdong Property Development to Teem Management Co were approximately RMB16,000 (equivalent to approximately HK\$19,000) (2021 annual cap: RMB150,000 (equivalent to approximately HK\$180,000)).

Report of the Directors (continued)

Connected Transactions (continued)

III. Continuing Connected Transactions — Property Leasing Services Related Agreements (continued)

(2) *Laurel House Nursery Property Leasing Services Agreement (continued)*

On the basis that the Guangdong Land Buxin Project Property Leasing Services Agreement and the Laurel House Nursery Property Leasing Services Agreement are both related to the provision of property leasing services by the Guangdong Holdings Group to the Group, the above two property leasing services agreements have been aggregated pursuant to the Listing Rules. As the highest applicable percentage ratio (on an aggregated basis) in respect of the above two property leasing services agreements calculated pursuant to the Listing Rules is more than 0.1% but all of the applicable percentage ratios are less than 5%, the transactions are subject to the annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement. Further details of these transactions are set out in the announcement of the Company dated 15 January 2021, and note 31(a) to the financial statements — the transactions under "Property leasing services fees paid to fellow subsidiaries".

(3) *Laurel House Commercial Property Leasing Services Agreement and Laurel House Commercial Property Leasing and Operational Management Services Agreement*

On 25 January 2021, Guangdong Property Development, a wholly-owned subsidiary of the Company, and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd.) ("Yuehai i-Club") entered into the Laurel House Commercial Property Leasing Services Agreement, pursuant to which, Yuehai i-Club shall provide property leasing services in respect of the GD•Delin (粵海•得鄰) (a commercial and shopping center of the Laurel House Project), to Guangdong Property Development for the period from 1 February 2021 to 31 December 2021 (both days inclusive).

On 31 December 2021, Guangdong Property Development and Yuehai i-Club entered into the Laurel House Commercial Property Leasing and Operational Management Services Agreement, pursuant to which, Yuehai i-Club shall provide leasing and related operational management services in respect of the GD•Delin (粵海•得鄰), to Guangdong Property Development for the period from 1 January 2022 to 31 December 2023 (both days inclusive).

During the year under review, the relevant total service fees paid by Guangdong Property Development to Yuehai i-Club were approximately RMB1,038,000 (equivalent to approximately HK\$1,250,000) (2021 annual cap: RMB1,500,000 (equivalent to approximately HK\$1,807,000)).

Further details of the transactions are set out in the announcement of the Company dated 31 December 2021.



Report of the Directors (continued)

Connected Transactions (continued)

III. Continuing Connected Transactions — Property Leasing Services Related Agreements (continued)

GDH Teem, Teem Management Co and Yuehai i-Club are subsidiaries of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, associates of Guangdong Holdings and connected persons of the Company. According to the Listing Rules, the entering into of each of the agreements under the above items (1) to (3) (collectively the “Property Leasing Services Agreements”) constituted a continuing connected transaction of the Company.

On a standalone basis, as all of the applicable percentage ratios in respect of the continuing connected transactions under the Laurel House Nursery Property Leasing Services Agreement calculated at the date of signing of the agreement pursuant to the Listing Rules are less than 0.1%, the transaction is fully exempt from the annual review, announcement and independent shareholders’ approval requirements.

On a standalone basis, as all of the applicable percentage ratios in respect of the continuing connected transactions under the Laurel House Commercial Property Leasing Services Agreement calculated at the date of signing of the agreement pursuant to the Listing Rules are less than 5% and the relevant annual cap amount is less than HK\$3,000,000, the transaction is fully exempt from the annual review, announcement and independent shareholders’ approval requirements.

As the highest applicable percentage ratio (on an aggregated basis) in respect of the relevant transactions contemplated under the Property Leasing Services Agreements calculated pursuant to the Listing Rules is more than 0.1% but all of the applicable percentage ratios are less than 5%, the Property Leasing Services Agreements are subject to the annual review, reporting and announcement requirements, but are exempt from the independent shareholders’ approval requirement.

IV. Continuing Connected Transactions pursuant to Rule 14A.60(1) of the Listing Rules

Matters related to the Disposal of Yuehai Yueshenghuo

Reference is made to the announcement of the Company dated 19 November 2020 regarding the Disposal of Yuehai Yueshenghuo. Yuehai Yueshenghuo was a wholly-owned subsidiary of the Company, upon completion of the Disposal of Yuehai Yueshenghuo on 23 November 2020, Yuehai Yueshenghuo became a wholly-owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, an associate of Guangdong Holdings and a connected person of the Company.

Prior to Yuehai Yueshenghuo becoming a wholly-owned subsidiary of Guangdong Holdings, it had entered into the following agreements (the “Existing Yuehai Yueshenghuo Agreements”) in respect of continuing transactions with the Group. Upon completion of the Disposal of Yuehai Yueshenghuo, the transactions contemplated under the Existing Yuehai Yueshenghuo Agreements constituted continuing connected transactions of the Company. As the Group continues to conduct the transactions contemplated under the Existing Yuehai Yueshenghuo Agreements, the Company is required to comply with the annual review and disclosure requirements pursuant to Rule 14A.60(1) of the Listing Rules.

Report of the Directors (continued)

Connected Transactions (continued)

IV. Continuing Connected Transactions pursuant to Rule 14A.60(1) of the Listing Rules (continued)

Matters related to the Disposal of Yuehai Yueshenghuo (continued)

(1) Buji Factory Property Services Agreement

On 31 March 2020, Yuehai Technology, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Buji Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Yuehai Technology in respect of the Buji factory premises of Yuehai Technology for the period from 1 April 2020 to 31 March 2021 (both days inclusive).

On 26 March 2021, Yuehai Technology and Yuehai Yueshenghuo entered into a new Buji Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Yuehai Technology in respect of the Buji factory premises of Yuehai Technology for the period from 1 April 2021 to 31 March 2023 (both days inclusive) (please see item (6) of paragraph II as mentioned above).

During the year under review, the relevant service fees paid by Yuehai Technology to Yuehai Yueshenghuo were approximately RMB504,000 (equivalent to approximately HK\$607,000).

(2) Shiyan Factory Property Services Agreement

On 31 March 2020, Yuehai Technology, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Shiyan Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Yuehai Technology in respect of the Shiyan factory premises of Yuehai Technology for the period from 1 April 2020 to 31 March 2021 (both days inclusive).

On 26 March 2021, Yuehai Technology and Yuehai Yueshenghuo entered into a new Shiyan Factory Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Yuehai Technology in respect of the Shiyan factory premises of Yuehai Technology for the period from 1 April 2021 to 31 March 2023 (both days inclusive) (please see item (7) of paragraph II as mentioned above).

During the year under review, the relevant service fees paid by Yuehai Technology to Yuehai Yueshenghuo were approximately RMB273,000 (equivalent to approximately HK\$329,000).

Report of the Directors (continued)

Connected Transactions (continued)

IV. Continuing Connected Transactions pursuant to Rule 14A.60(1) of the Listing Rules (continued)

Matters related to the Disposal of Yuehai Yueshenghuo (continued)

(3) Yuecai City Sales Centre Property Services Agreement

On 3 January 2020, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Yuecai City Sales Centre Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land at the sales centre of Yuecai City for the period from 1 January 2020 to 31 December 2020 (both days inclusive).

On 19 November 2020, Guangdong Yuehai Land and Yuehai Yueshenghuo entered into the Supplemental Agreement to the Yuecai City Sales Centre Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall continue to provide property management services to Guangdong Yuehai Land at the sales centre of Yuecai City for the period from 1 January 2021 to 31 May 2021 (both days inclusive) (please see the item (4) of paragraph II as mentioned above).

For the period from 1 January 2021 to 31 May 2021, the relevant service fees paid by Guangdong Yuehai Land to Yuehai Yueshenghuo were approximately RMB1,734,000 (equivalent to approximately HK\$2,089,000).

(4) Yuecai City Northwest Demonstration Area Property Services Agreement

On 20 August 2020, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Yuecai City Northwest Demonstration Area Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land at the Northwest Demonstration Area of Yuecai City for the period from 20 August 2020 to 19 August 2021 (both days inclusive).

For the period from 1 January 2021 to 19 August 2021 the relevant service fees paid by Guangdong Yuehai Land to Yuehai Yueshenghuo were approximately RMB3,698,000 (equivalent to approximately HK\$4,454,000).

(5) Yuecai City Preliminary Property Management Services Agreement

On 10 October 2018, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Yuecai City Preliminary Property Management Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land in respect of the properties on the Northwestern Land of Yuecai City for the period from 30 June 2020 to 29 June 2025 (both days inclusive).

During the year under review, the relevant service fees paid by Guangdong Yuehai Land to Yuehai Yueshenghuo were approximately RMB7,259,000 (equivalent to approximately HK\$8,744,000).

Further details of the above transactions are set out in the announcements of the Company dated 19 November 2020 and 26 March 2021, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

Report of the Directors (continued)

Connected Transactions (continued)

IV. Continuing Connected Transactions pursuant to Rule 14A.60(1) of the Listing Rules (continued)

Matters related to the Huizhou Acquisition

Reference is made to the announcement of the Company dated 29 October 2020 regarding the Huizhou Acquisition. Upon completion of the Huizhou Acquisition on 18 January 2021, 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) (“Huiyang Development”) and Huizhou Property became wholly-owned subsidiaries of the Company.

Prior to Huiyang Development and Huizhou Property becoming wholly-owned subsidiaries of the Company, they had entered into the following agreements (the “Existing Huizhou Agreements”) in respect of continuing transactions with the subsidiaries of Guangdong Holdings. Upon completion of the Huizhou Acquisition, the transactions contemplated under the Existing Huizhou Agreements constituted continuing connected transactions of the Company. As the Group continues to conduct the transactions contemplated under the Existing Huizhou Agreements, the Company is required to comply with the annual review and disclosure requirements pursuant to Rule 14A.60(1) of the Listing Rules.

(1) Huizhou Dayawan Project Site Security Services Agreement

On 29 February 2020, Huizhou Property, a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Huizhou Dayawan Project Site Security Services Agreement, pursuant to which, Yuehai Property Management shall provide security services to Huizhou Property at the site of Huizhou Dayawan Project for the period from 1 March 2020 to 28 February 2021 (both days inclusive).

For the period from 18 January 2021 to 28 February 2021, the relevant service fees paid by Huizhou Property to Yuehai Property Management were approximately RMB52,000 (equivalent to approximately HK\$63,000).

(2) Huiyang Lijiang Garden Administrative Services Agreement

On 30 September 2020, Huiyang Development, a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Huiyang Lijiang Garden Administrative Services Agreement, pursuant to which, Yuehai Property Management shall provide day-to-day administrative services for the Huiyang Lijiang Garden Project for the period from 1 October 2020 to 30 September 2021 (both days inclusive).

For the period from 18 January 2021 to 30 September 2021, the relevant service fees paid by Huiyang Development to Yuehai Property Management were approximately RMB76,000 (equivalent to approximately HK\$92,000).

(3) Huiyang Lijiang Garden Commercial Property Rental Services Agreement

On 22 October 2020, Huiyang Development, a wholly-owned subsidiary of the Company, and Teem Management Co entered into the Huiyang Lijiang Garden Commercial Property Rental Services Agreement, pursuant to which, Teem Management Co shall provide commercial property rental services to Huiyang Development in respect of certain commercial properties in Huiyang Lijiang Garden for the period from 16 September 2020 to 31 December 2025 (both days inclusive).

For the period from 18 January 2021 to 31 December 2021, the relevant service fees paid by Huiyang Development to Teem Management Co were approximately RMB12,000 (equivalent to approximately HK\$14,000).



Report of the Directors (continued)

Connected Transactions (continued)

IV. Continuing Connected Transactions pursuant to Rule 14A.60(1) of the Listing Rules (continued)

Matters related to the Huizhou Acquisition (continued)

(4) Huiyang Lijiang Garden Car Park Operation Management Services Agreement

On 31 December 2019, Huiyang Development, a wholly-owned subsidiary of the Company, and Yuehai Property Management Huiyang Branch entered into the Huiyang Lijiang Garden Car Park Operation Management Services Agreement, pursuant to which, Yuehai Property Management Huiyang Branch shall provide daily operation management services for the car park in Huiyang Lijiang Garden for the period from 1 January 2020 to 31 December 2022 (both days inclusive).

For the period from 18 January 2021 to 31 December 2021, no service fee was paid by Huiyang Development to Yuehai Property Management Huiyang Branch.

Yuehai Property Management, Yuehai Property Management Huiyang Branch and Teem Management Co are subsidiaries of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, associates of Guangdong Holdings and connected persons of the Company. Therefore, the transactions contemplated under the Existing Huizhou Agreements constituted continuing connected transactions of the Company. Further details of the transactions are set out in the announcement of the Company dated 29 October 2020, and note 31(a) to the financial statements — the transactions under “Property management services fees paid to fellow subsidiaries”.

The Board, including the Independent Non-Executive Directors, has reviewed the continuing connected transactions set out above and has confirmed that such continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, the Company’s auditor, were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Hong Kong Stock Exchange.

Report of the Directors (continued)

Connected Transactions (continued)

V. Connected Transaction Conducted Subsequent to the Year under Review

Subsequent to the year under review, the Group has entered into the connected transaction and disclosed in accordance with Chapter 14A of the Listing Rules as follows:

Equity Transfer Agreement in respect of the acquisition of 6% equity interest in Yuehai Property Management

On 28 January 2022, the Company (as purchaser) and Guangdong Holdings (as vendor) entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and Guangdong Holdings agreed to sell, 6% equity interest in Yuehai Property Management, at the consideration of RMB33,631,098 (equivalent to approximately HK\$41,104,000). The relevant procedures for change of registration of equity interest with the relevant administration for industry and commerce department are still in progress.

Guangdong Holdings is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the above acquisition constituted a connected transaction of the Company under the Listing Rules, and is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement. Further details of the transaction are set out in the announcement of the Company dated 28 January 2022.

VI. Continuing Connected Transactions Subsequent to the Year under Review

Subsequent to the year under review, the Group has entered into the continuing connected transactions and disclosed in accordance with Chapter 14A of the Listing Rules as follows:

(1) *Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement*

On 28 January 2022, Huizhou Property, a wholly-owned subsidiary of the Company, and Yuehai Property Management entered into the Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement, pursuant to which, Yuehai Property Management shall provide property management services to Huizhou Property in respect of the Huizhou Yuehai Riverside Garden (the promotion name of Huizhou Dayawan Project) for the period from 28 January 2022 to 9 May 2024 (both days inclusive), subject to the annual caps of RMB0, RMB530,000 (equivalent to approximately HK\$653,000) and RMB860,000 (equivalent to approximately HK\$1,059,000) for the years 2022, 2023 and 2024 respectively.

Yuehai Property Management is a subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, an associate of Guangdong Holdings and a connected person of the Company. According to the Listing Rules, the entering into of the Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement constituted a continuing connected transaction of the Company. On a standalone basis, as all of the applicable percentage ratios in respect of the continuing connected transactions under the Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement calculated pursuant to the Listing Rules are less than 0.1%, the transaction was fully exempt from the annual review, announcement and independent shareholders' approval requirements. Further details of the transaction of entering into the Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement are set out in the announcement of the Company dated 30 March 2022.



Report of the Directors (continued)

Connected Transactions (continued)

VI. Continuing Connected Transactions Subsequent to the Year under Review (continued)

(2) *2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement*

On 30 March 2022, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the 2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement, pursuant to which, Yuehai Yueshenghuo shall provide property management services to Guangdong Yuehai Land in respect of the sales centre and sample unit demonstration area of the project for the period from 1 April 2022 to 31 March 2023 (both days inclusive), subject to the annual caps of RMB3,770,000 (equivalent to approximately HK\$4,642,000) and RMB1,260,000 (equivalent to approximately HK\$1,551,000) for the years 2022 and 2023 respectively.

Yuehai Yueshenghuo is a subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, an associate of Guangdong Holdings and a connected person of the Company. According to the Listing Rules, the entering into of the 2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement constituted a continuing connected transaction of the Company. On a standalone basis, as the highest applicable percentage ratio in respect of the continuing connected transactions under the 2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement calculated pursuant to the Listing Rules is more than 0.1% but all of the applicable percentage ratios are less than 5%, it is subject to the annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement. Further details of the transaction are set out in the announcement of the Company dated 30 March 2022.

(3) *Yuecai City (Northwestern Land) Carpark Entrusted Management Agreement*

On 30 March 2022, Guangdong Yuehai Land, a wholly-owned subsidiary of the Company, and Yuehai Yueshenghuo entered into the Yuecai City (Northwestern Land) Carpark Entrusted Management Agreement, pursuant to which, Guangdong Yuehai Land entrusted Yuehai Yueshenghuo to manage the carpark comprising Levels 1 to 3 of the basement floor of the Yuecai City Northwestern Land for the period from 30 March 2022 to 29 March 2024 (both days inclusive), subject to the annual caps of RMB1,620,000 (equivalent to approximately HK\$1,995,000), RMB2,150,000 (equivalent to approximately HK\$2,647,000) and RMB540,000 (equivalent to approximately HK\$665,000) for the years 2022, 2023 and 2024 respectively.

Yuehai Yueshenghuo is a subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, hence, an associate of Guangdong Holdings and a connected person of the Company. According to the Listing Rules, the entering into of the Yuecai City (Northwestern Land) Carpark Entrusted Management Agreement constituted a continuing connected transaction of the Company. On a standalone basis, as all of the applicable percentage ratios in respect of the continuing connected transactions under the Yuecai City (Northwestern Land) Carpark Entrusted Management Agreement calculated pursuant to the Listing Rules are less than 5% and the relevant annual cap amount is less than HK\$3,000,000, it is fully exempt from the annual review, announcement and independent shareholders' approval requirements. Further details of the transaction are set out in the announcement of the Company dated 30 March 2022.

Report of the Directors (continued)

Connected Transactions (continued)

VI. Continuing Connected Transactions Subsequent to the Year under Review (continued)

On the basis that the Huizhou Yuehai Riverside Garden Preliminary Property Services Agreement, the 2022 Yuecai City North Tower Sales Centre and Sample Unit Demonstration Area Property Services Agreement and the Yuecai City (Northwestern Land) Carpark Entrusted Management Agreement are all related to the provision of property management services by the Guangdong Holdings Group to the Group, the above three property management services agreements have been aggregated pursuant to the Listing Rules. As the highest applicable percentage ratio (on an aggregated basis) in respect of the relevant transactions contemplated under the above three property management services agreements calculated pursuant to the Listing Rules is more than 0.1% but all of the applicable percentage ratios are less than 5%, the transactions are subject to the annual review, reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement.

Related Party Transactions

Details of the significant related party transactions in the normal course of business are provided in note 31(a) to the financial statements. The related party transactions described in notes (iv), (v) and (ix) of note 31(a) to the financial statements also constitute connected transactions or continuing connected transactions discloseable under the Listing Rules (details are set out under the section headed "Connected Transactions" of this report). In respect of these connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" of this report, none of the other related party transactions as disclosed in note 31(a) to the financial statements is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Disclosure under Rule 13.21 of the Listing Rules

(1) Term Loan Facility in the Principal Amount of HK\$1,000 Million

On 3 February 2021, the Company accepted a facility letter (the "2021 Facility Letter") issued by a bank (the "Bank") whereby a term loan facility (the "2021 Facility") for 360 days in the principal amount of HK\$1,000 million would be made available by the Bank to the Company subject to the terms and conditions of the 2021 Facility Letter.

Pursuant to the 2021 Facility Letter, the Bank may by notice to the Company require the Company to fully repay the loan under the 2021 Facility within one month if, among others, any one of the following events has occurred:

- (i) the Guangdong Provincial People's Government of the People's Republic of China (the "Guangdong Provincial Government") ceases to be the single largest shareholder and holds (direct or indirect) less than 50% interest of Guangdong Holdings; or
- (ii) Guangdong Holdings ceases to be the single largest shareholder and holds (direct or indirect) less than 50% interest of GDI.

Report of the Directors (continued)

Disclosure under Rule 13.21 of the Listing Rules (continued)

(1) Term Loan Facility in the Principal Amount of HK\$1,000 Million (continued)

In addition, the Company shall undertake to ensure that GDI continues to be the single largest shareholder and holds (direct or indirect) not less than 50% interest of the Company.

As at 31 December 2021, the outstanding principal of the 2021 Facility was HK\$1,000 million. The loan under the 2021 Facility has been fully repaid on 17 March 2022.

On 11 March 2022, the Company accepted another facility letter (the "2022 Facility Letter") issued by the Bank whereby a term loan facility (the "2022 Facility") for 360 days in the principal amount of HK\$1,000 million would be made available by the Bank to the Company subject to the terms and conditions of the 2022 Facility Letter.

Pursuant to the 2022 Facility Letter, the Bank may by notice to the Company require the Company to fully repay the loan under the 2022 Facility within one month if, among others, any one of the following events has occurred:

- (i) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in GDI; or
- (ii) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government.

In addition, the Company shall undertake to ensure that GDI continues to be the single largest shareholder and holds (directly or indirectly) not less than 50% of the shareholding in the Company.

(2) Uncommitted Revolving Loan Facility in the Principal Amount of HK\$300 Million

On 17 March 2022, the Company accepted a facility letter (the "Revolving Facility Letter") issued by another bank whereby an uncommitted revolving loan facility (the "Revolving Facility") for 360 days in the principal amount of HK\$300 million would be made available by the said bank to the Company subject to the terms and conditions of the Revolving Facility Letter.

Pursuant to the Revolving Facility Letter, the aforesaid bank may by notice to the Company require the Company to fully repay the loan under the Revolving Facility immediately if, among others, any one of the following events has occurred which would constitute an event of default:

- (i) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government; or
- (ii) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in GDI; or
- (iii) GDI ceases to retain as the single largest shareholder of the Company and ceases to hold (whether directly or indirectly) at least 50% shareholding in the Company.

Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

Report of the Directors (continued)

Equity-Linked Agreements

During the year ended 31 December 2021, the Company had not entered into any equity-linked agreements.

Significant Contracts with Controlling Shareholders or its Subsidiaries

Save as disclosed in pages 32 to 51 of this report, the Company and the controlling shareholders of the Company or its subsidiaries had not entered into any contracts of significance during the year under review.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-Laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 2.9% of the Group's total sales for the year under review.

Purchases from the Group's five largest suppliers accounted for approximately 90.6% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 26.5% of the Group's total purchases for the year under review.

None of the Directors, their respective associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued ordinary shares of the Company) had any interest in the Group's five largest customers or suppliers.

Auditor

PricewaterhouseCoopers will retire as the auditor of the Company with effect from the conclusion of the 2022 Annual General Meeting and will not seek re-appointment.

The Board resolved, at the recommendation of the Audit Committee of the Company and, to propose the appointment of KPMG as the new independent auditor of the Company following the retirement of PricewaterhouseCoopers, to hold office until the conclusion of the next annual general meeting of the Company. Such proposed appointment is subject to the approval of the shareholders of the Company at the 2022 Annual General Meeting.

By Order of the Board
LAN Runing
Chairman

Hong Kong, 30 March 2022



Corporate Governance Report

Corporate Governance Code

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with the code provisions and, where appropriate, adopted the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2021.

Directors’ Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors and also implemented internal policy to govern the dealing in securities of the Company by the employees of the Group. In response to specific enquiry made, all the Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year under review.

Board of Directors

The Board which is accountable to the shareholders of the Company, is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company’s circumstances and to ensure processes and procedures are in place to achieve the Company’s corporate governance objectives.

As at the date of this report, the Board comprises six Executive Directors, being Mr. LAN Runing who is also the Chairman of the Board, Mr. KUANG Hu, who is also the Vice Chairman of the Board, Mr. LI Yonggang, who is also the Managing Director, Mr. WU Mingchang, Ms. ZHU Guang and Mr. JIAO Li who is also the Chief Financial Officer, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

An updated list of Directors identifying their roles and functions is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”).

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company’s annual, interim and quarterly results. During the year under review, fourteen Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed “Board and Committees Meetings” of this report.

Corporate Governance Report (continued)

Board of Directors (continued)

The Company has devised the annual meeting schedule for next year before the end of the year, setting out all meeting dates of the Board and its committees, in order for the Directors to plan ahead. At least fourteen days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Bye-Laws also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates has a material interest. Every Director is entitled to have access to the Board papers and related materials as well as to the advice and services of the Company Secretary.

Corporate Governance Functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under the CG Code include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Company's compliance with the CG Code and the information disclosed in the Corporate Governance Report.

During the year under review, the Board considered, among other matters, the following corporate governance issues:

- (a) reviewed the training and continuous professional development of Directors;
- (b) monitored the report or complaint regarding possible improprieties in financial reporting and internal control (if any);
- (c) reviewed the effectiveness of the risk management and internal control systems of the Company through the Internal Audit Department and the Audit Committee; and
- (d) reviewed the Company's compliance with the CG Code and the information disclosed in the Corporate Governance Report.



Corporate Governance Report (continued)

Chairman and Managing Director

As at the date of this report, the Chairman of the Board is Mr. LAN Runing and the Managing Director is Mr. LI Yonggang. Their roles are clearly defined and segregated to ensure independence, proper checks and balances. Mr. Lan provides leadership for the Board and oversees its functioning, ensuring that the Board works effectively and acts in the best interest of the Group. Under the guidance of the Board, Mr. Li as the Managing Director focuses on the day-to-day management of the Group's business, and leads the management team of the Group.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an additional member to the existing Board shall hold office only until the first general meeting after their appointment and shall be eligible for re-election.

Moreover, each Non-Executive Director (including Independent Non-Executive Director) is appointed for a term of not more than approximately three years expiring on the earlier of either (a) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director; or (b) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Bye-Laws and/or applicable laws and regulations.

During the year under review, the Non-Executive Directors (including Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings.

Independence of Independent Non-Executive Directors

During the year under review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received annual confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho in accordance with Rule 3.13 of the Listing Rules.

Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho have served the Board for more than nine years. They have clearly demonstrated their willingness to exercise independent judgement and to provide objective opinions to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho remain independent, notwithstanding the length of their tenure.

The Nomination Committee has assessed the independence of all the Independent Non-Executive Directors and has concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events, which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired.

Corporate Governance Report (continued)

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced Board composition also ensures that strong independence exists across the Board. The profiles of the Directors as set out on pages 19 to 22 of this annual report, demonstrate a diversity of skills, expertise, experience and qualifications of the Directors.

Directors' Induction and Continuous Professional Development

Upon the appointment of the Board members, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously develop and refresh their relevant knowledge and skills. Some Directors attended seminars or conferences organised by government authorities, professional bodies or industrial organisations, etc. in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. During the year, the Company organised training for Directors and provided them with reading materials.

According to the records kept by the Company, the Directors attended the following trainings during the year under review:

Name of Director	Attending Directors' trainings organised by the Company, other companies or organisations	Reading materials
Executive Directors		
LAN Runing ^(Note 1)	✓	✓
LI Yonggang	✓	✓
WU Mingchang	✓	✓
ZHU Guang	✓	✓
JIAO Li ^(Note 2)	✓	✓
XU Yeqin ^(Note 3)	✓	✓
ZHANG Jun ^(Note 4)	✓	✓
Independent Non-Executive Directors		
Alan Howard SMITH	✓	✓
Felix FONG Wo	✓	✓
Vincent Marshall LEE Kwan Ho	✓	✓

Notes:

1. Mr. LAN Runing has been appointed as the Chairman and an Executive Director of the Company with effect from 15 September 2021.
2. Mr. JIAO Li has been appointed as an Executive Director of the Company with effect from 15 September 2021.
3. Mr. XU Yeqin resigned as the Chairman and an Executive Director of the Company with effect from 15 September 2021.
4. Mr. ZHANG Jun resigned as an Executive Director of the Company with effect from 15 September 2021.



Corporate Governance Report (continued)

Board Diversity Policy

The Board has adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company’s strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural background, educational level, length of service, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments are based on meritocracy and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on several focused areas: gender, age, cultural background, educational level, length of service, professional experience, skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises nine Directors, amongst them, three are Independent Non-Executive Directors, with diverse backgrounds, thereby promoting critical review and control of the management process. The Board maintains a balanced composition and is characterised by significant diversity, whether considered in terms of gender, age, professional experience, skills and knowledge.

Having reviewed the implementation of the Board Diversity Policy and the structure, size, members’ gender and composition of the Board, the Nomination Committee and the Board considered that the Company had met the requirements of the Board Diversity Policy.

Dividend Policy

The Board has adopted a revised dividend policy on 28 April 2021 with the aims of generating stable and sustainable returns for the shareholders of the Company.

In deciding whether to recommend the payment of any dividend and in determining the amount thereof, the Board will take into account the Group’s operating income, operating cash flows, financial position, investment and financing needs, contractual restrictions imposed on the payment of dividends (if any), past dividend payments, dividend payout ratio from the peers and other factors that the Board considers appropriate. The Company strikes a balance between the sharing of the Company’s profit with the shareholders of the Company and preserve sufficient funds to facilitate its future development.

Since the Group is currently experiencing a fast business development stage, and takes an active approach in contemplating and delving into the possibility of seeking out opportunities for real estate development and investment projects mainly in the Guangdong-Hong Kong-Macao Greater Bay Area and the Pearl River Delta in order to pursue better future returns for the shareholders of the Company, and that the Group intends to prioritise the application of funds towards its existing projects and future business development. At this stage, the Board will adopt a progressive dividend policy to reward the shareholders of the Company.

The Board will review the revised dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the revised dividend policy at any time as it seems fit and necessary.

Corporate Governance Report (continued)

Board Committees

The Board has established the Remuneration Committee, the Nomination Committee and the Audit Committee.

Remuneration Committee

The Company established the Remuneration Committee in June 2005. The Remuneration Committee has been delegated responsibility from the Board to determine the remuneration packages of individual Executive Directors and senior management. The terms of reference of the Remuneration Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Felix FONG Wo, Mr. Alan Howard SMITH and Mr. Vincent Marshall LEE Kwan Ho. Mr. Felix FONG Wo is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Three Remuneration Committee meetings were held in 2021 and the attendance of each member is set out in the section headed “Board and Committees Meetings” of this report.

In 2021, the Remuneration Committee reviewed and approved the proposed remuneration packages for the newly appointed Executive Directors and individual Executive Directors’ annual remuneration package and performance bonus.

Details of the Directors’ emoluments for the year 2021 are set out in note 7 to the financial statements.

Nomination Committee

The Company established the Nomination Committee in March 2012. The Nomination Committee is responsible for, amongst other things, reviewing the structure, size and composition of the Board, assisting the Board in the development and review of the Board Diversity Policy (and the measurable objectives for its implementation), and the Directors’ Nomination Policy, identifying individuals suitably qualified to become Board members, assessing the independence of Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code, making recommendation on the re-appointment of the retiring Directors and succession planning for Directors. The terms of reference of the Nomination Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, the Nomination Committee comprises the Chairman of the Board, Mr. LAN Runing, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho. Mr. LAN Runing is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two Nomination Committee meetings were held in 2021 and the attendance of each member is set out in the section headed “Board and Committees Meetings” of this report.



Corporate Governance Report (continued)

Nomination Committee (continued)

In 2021, the Nomination Committee performed the works as summarised below:

- (a) assessed the independence of the Independent Non-Executive Directors;
- (b) considered and recommended to the Board the re-appointment of the retiring Directors;
- (c) reviewed the implementation of the Board Diversity Policy and the structure, size, members' gender and composition of the Board; and
- (d) considered and recommended to the Board for the appointments of the Chairman and Executive Directors of the Company.

Directors' Nomination Policy

The Board has adopted a Directors' nomination policy (the "Directors' Nomination Policy") to formally set out the criteria and process in the nomination and appointment of Directors. According to the Directors' Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's integrity, qualifications, skills, knowledge, experiences relevant to the Company's business and corporate strategy, his/her commitment to enhancing shareholder value and devoting sufficient time to effectively carry out their duties, fulfilment of the independence requirements as set out in the Listing Rules (for Independent Non-Executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates such candidates to the Board for approval and appointment. As mentioned above, all Directors appointed to fill a casual vacancy or as an additional member to the existing Board shall hold office only until the first general meeting after their appointment and shall be eligible for re-election. The Board will make recommendation to shareholders in respect of the proposed re-election of Directors at general meetings.

Audit Committee

The Company established the Audit Committee in September 1998. The Audit Committee oversees matters concerning the external auditor including making recommendations to the Board regarding the appointment of the external auditor, reviewing the scope of their audit work and approving their fees. The Audit Committee further ensures that the management has put in place effective systems of the risk management and internal control and maintains an overview of the Group's risk management system and financial controls. It reviews the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions and their training and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. The terms of reference of the Audit Committee detailing its authority and duties are available on the websites of the Company and HKEx.

As at the date of this report, the Audit Committee comprises three Independent Non-Executive Directors, being Mr. Vincent Marshall LEE Kwan Ho, Mr. Alan Howard SMITH and Mr. Felix FONG Wo. Mr. Vincent Marshall LEE Kwan Ho is the chairman of the Audit Committee.

Corporate Governance Report (continued)

Audit Committee (continued)

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members with Non-Executive Directors only and must be chaired by an Independent Non-Executive Director) is an Independent Non-Executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Four Audit Committee meetings were held in 2021 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report. In addition to its four meetings as aforesaid, the Audit Committee also had one private meeting with the external auditor without the presence of the management to discuss any area of concern.

In 2021, the Audit Committee performed the works as summarised below:

- (a) reviewed the annual caps on continuing connected transactions of the Company;
- (b) reviewed and recommended 2020 final results, auditor's findings and draft final results announcement for the Board's approval;
- (c) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (d) reviewed the internal audit plan of 2021;
- (e) reviewed and recommended 2021 interim and quarterly results, auditor's findings, draft interim and quarterly results announcements for the Board's approval;
- (f) reviewed and recommended the internal audit reports for the Board's approval; and
- (g) assessed the effectiveness of risk management and internal control systems of the Group for 2020.

Auditor's Remuneration

The remuneration of the Company's auditor, PricewaterhouseCoopers and its other member firm, for services rendered in respect of the year ended 31 December 2021 is set out as follows:

Services rendered	Fee <i>HK\$'000</i>
Audit of annual financial statements	2,650
Review of interim financial report	885
Agreed-upon procedures in respect of quarterly results	576
Limited assurance on continuing connected transactions	60
Tax advisory services	135
	4,306

Corporate Governance Report (continued)

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, the Nomination Committee, the Remuneration Committee, the Audit Committee and the general meeting of the Company during the year ended 31 December 2021 are set out below:

Name of Director	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Annual General Meeting
Executive Directors					
LAN Runing <i>(Note 1)</i>	5/5	N/A	N/A	N/A	N/A
LI Yonggang	14/14	N/A	N/A	N/A	1/1
WU Mingchang	14/14	N/A	N/A	N/A	1/1
ZHU Guang	14/14	N/A	N/A	N/A	1/1
JIAO Li <i>(Note 2)</i>	5/5	N/A	N/A	N/A	N/A
XU Yeqin <i>(Note 3)</i>	9/9	2/2	N/A	N/A	1/1
ZHANG Jun <i>(Note 4)</i>	9/9	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Alan Howard SMITH	14/14	2/2	3/3	4/4	1/1
Felix FONG Wo	14/14	2/2	3/3	4/4	1/1
Vincent Marshall LEE Kwan Ho	14/14	2/2	3/3	4/4	1/1

Notes:

1. Mr. LAN Runing has been appointed as the Chairman and an Executive Director of the Company with effect from 15 September 2021.
2. Mr. JIAO Li has been appointed as an Executive Director of the Company with effect from 15 September 2021.
3. Mr. XU Yeqin resigned as the Chairman and an Executive Director of the Company with effect from 15 September 2021.
4. Mr. ZHANG Jun resigned as an Executive Director of the Company with effect from 15 September 2021.

Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2021, which give a true and fair view of the financial position of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2021, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on a going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company's level of corporate governance and transparency, the Company has announced its unaudited financial information for the first and third quarters during the financial year ended 31 December 2021, and will continue to publish unaudited financial information for the two quarters in the future.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2021.

Corporate Governance Report (continued)

Risk Management and Internal Control

The Board has overall responsibilities for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group. Such systems are designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to management the implementation of such systems of risk management and internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The management under the supervision of the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the systems of risk management and internal control when there are changes to business environment or regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risk faced and designing, operating and monitoring suitable risk management and internal control to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal control include the following:

A defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with laws and regulations; and (d) identify, manage and mitigate key risks to the Group.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, inter alia, reviews the financial controls, risk management, internal control systems of the Group and any significant internal control issues identified by the Internal Audit Department, the external auditor and the management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the Internal Audit Department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budgets.

The Internal Audit Department monitors compliance with policies and procedures and the effectiveness of the risk management and internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's risk management and internal control framework, and provides objective assurance to the Board that the sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The Internal Audit Department issues reports to the Board and relevant management covering various operational and financial processes of the Group and provides summary reports to the Audit Committee together with the status of implementation of their recommendation in each Audit Committee meeting.

An Inside Information Policy was adopted by the Company which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and, up to the date of this report, are reasonably effective and adequate.



Corporate Governance Report (continued)

Company Secretary

The Company Secretary reports to the Chairman and the Managing Director of the Company and is responsible for advising the Board on corporate governance matters.

Ms. Christine MAK Lai Hung has been appointed as the Company Secretary of the Company with effect from 20 February 2020. She is a full time employee of the Company and has extensive experience in company secretarial and corporate governance practices with listed companies. For the year under review, Ms. Mak undertook over fifteen hours of relevant professional training to update her skills and knowledge.

Shareholders' Rights

The following procedures are subject to the Bye-Laws, the Companies Act 1981 of Bermuda and applicable legislations and regulations.

Procedures for shareholders to convene a special general meeting

Registered shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such special general meeting shall be held within two months after the deposit of such requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

The written requisition must state the purpose of the general meeting, signed by the registered shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders. The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory and regulatory requirements to all the registered shareholders. On the contrary, if the written requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

If within 21 days from the date of deposit of the requisition the Board fails to proceed to convene a special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for shareholder to put forward proposals at general meetings

The Company holds an annual general meeting every year, and may hold a general meeting known as a special general meeting whenever necessary.

Registered shareholder(s) of the Company holding (a) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (b) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the next annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

Corporate Governance Report (continued)

Shareholders' Rights (continued)

Procedures for shareholder to put forward proposals at general meetings (continued)

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

If the written request is in order, the Company Secretary will ask the Board (a) to include the resolution in the agenda for the annual general meeting; or (b) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

The procedures for shareholder(s) to propose a person for election as a director of the Company are posted on the Company's website.

Shareholders' enquiries

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, via its online holding enquiry services at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may also send written enquiries to the Company, for the attention of the Chief Financial Officer or the Company Secretary by mail to 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong or by fax to (852) 2815 2020.

In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Investor Relations

The Company actively promotes investor relations and communication with the investment community throughout the year under review. The Company responds to requests for information and queries from the investment community including shareholders, analysts and the media.

The Board is committed to providing clear and full information on the Company to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information on the Company is also available to shareholders and stakeholders through the "Investor Relations" page on the Company's website.



Corporate Governance Report (continued)

Constitutional Documents

During the year under review, there were no significant changes in the Company's Memorandum of Association and Bye-Laws. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is available on the websites of the Company and HKEx.

Relationship with Stakeholders

The Company recognises that employees, customers and suppliers and business associates are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our employees, providing quality services to our customers, collaborating with business partners (including suppliers and contractors) to deliver quality sustainable products and services and supporting our community.

By Order of the Board
LAN Runing
Chairman

Hong Kong, 30 March 2022

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Guangdong Land Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Guangdong Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 137, which comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our 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.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties; and
- Recoverability of completed properties held for sale and properties held for sale under development.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to notes 3(a)(i), 3(b)(ii) and 14 to the consolidated financial statements.</p> <p>As at 31 December 2021, the Group had completed investment properties and investment properties under development stated at fair value of HK\$7,535 million (2020: HK\$5,954 million). Changes in fair value during the year were recognised and presented as “fair value gains on investment properties” in the consolidated statement of profit or loss.</p> <p><u>Completed investment properties and investment properties under development stated at fair value</u></p> <p>We focused on the valuation of investment properties because the estimation of fair value is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of investment properties is considered significant.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <p><u>Completed investment properties and investment properties under development stated at fair value</u></p> <ul style="list-style-type: none">• Understanding management’s control and process for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;• Evaluating the independent valuer’s competence, capabilities and objectivity.• Obtaining the valuation reports and meeting with the independent valuer to discuss and involving our in-house valuation experts to assess the appropriateness of the valuation methodologies and the reasonableness of the key assumptions adopted.

Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties (continued)</p> <p>Management has engaged an independent valuer to determine the valuation of the Group's investment properties stated at fair value as at 31 December 2021. The fair value of completed investment properties was principally derived using the income capitalisation method by considering the capitalised reversionary income potential with reference to prevailing capitalisation rates and market rents, and wherever appropriate, the direct comparison method by reference to market evidence of recent transaction prices of comparable properties, and depreciated replacement cost method by considering the cost to reproduce or replace in a new condition the property appraised in accordance with current construction costs for similar property. For investment properties under development, fair value was derived using the residual method and key assumptions included development costs, and developer's profit and risk margins. Significant judgments and estimates of the assumptions were involved in the valuation of investment properties.</p>	<ul style="list-style-type: none">• Checking the accuracy of the input data, on a sample basis, used by the independent valuers including rental income, occupancy rates and estimated development cost by agreeing them to the management's records, or other supporting documentation including rental income schedules, construction cost schedules and approved budgets.• Assessing the reasonableness of the key assumptions used in the valuation of properties by comparing estimated development cost, and developer's profit and risk margins for the investment properties under development to invoices and approved budgets, published market yields for capitalisation rates, prevailing market rents to leasing transactions of comparable properties and wherever appropriate, the recent market transaction prices of properties with comparable conditions and locations and the cost to reproduce or replace the property with similar conditions and locations.• Assessing the adequacy of the disclosures related to the valuation of investment properties in the context of HKFRS disclosure requirements.

Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties (continued)</p> <p><u>Measurement base of investment properties under development</u></p> <p>It is the Group's accounting policy to measure its investment properties under development at cost until their fair values become reliably measurable or the construction is completed, whichever is earlier. The determination of whether the fair values of investment properties under development are reliably measurable on a continuing basis requires significant management judgment. This includes determination as to whether the market for comparable properties is inactive and whether alternative reliable measurements of fair values are available.</p> <p>After considering the stage of development and factors such as (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated, the directors of the Company concluded that the fair values of investment properties under development of HK\$7,054 million could be measured reliably at the end of the current reporting period and, therefore, such investment properties under development were measured at fair value as of 31 December 2021.</p> <p>Due to significant management judgements and estimates in the valuation of investment properties and the measurement basis of investment properties under development, we considered this a key audit matter.</p>	<p><u>Measurement base of Investment properties under development</u></p> <ul style="list-style-type: none">Evaluating the judgments and assessment performed by management by considering the stage of development of the relevant investment properties under development at year end to determine whether the fair value of the investment properties under development could be reliably measured, and verifying key factors considered by management including (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated. <p>Based on the procedures performed, we considered that the risk assessment of valuation of investment properties remained appropriate. The methods, key assumptions and judgements, and data used in the valuation of investment properties and the measurement basis adopted for investment properties under development were supported by the available evidence.</p>

Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of completed properties held for sale and properties held for sale under development</p> <p>Refer to notes 3(a)(ii) and 15 to the consolidated financial statements.</p> <p>The Group's balance sheet includes HK\$657 million (2020: HK\$3,111 million) of completed properties held for sale and HK\$33,183 million (2020: HK\$5,284 million) of properties held for sale under development as at 31 December 2021.</p> <p>We focused on the recoverability of completed properties held for sale and properties held for sale under development because the estimation of net realisable value is subject to high degree of estimation uncertainty and the related inherent risk is considered significant.</p> <p>Management assessed the recoverability of completed properties held for sale and properties held for sale under development based on an estimation of the net realisable value of the underlying properties. This involves estimation of anticipated costs to completion based on existing plans (for properties held for sale under development), committed construction contracts and expected future sales price based on prevailing market conditions such as current market prices of properties with comparable conditions and locations.</p> <p>If the estimated net realisable value is lower than the carrying value of the underlying properties, a provision for impairment losses may be required.</p> <p>Due to significant management judgements and estimates involved in assessing the net realisable value of completed properties held for sale and properties held for sale under development, we considered this a key audit matter.</p>	<p>Our procedures in relation to management's assessment of the recoverability of completed properties held for sale and properties held for sale under development included:</p> <ul style="list-style-type: none">• Understanding management's control and process for assessing the recoverability of completed properties held for sale and properties held for sale under development, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;• Understanding, evaluating and validating the controls over cost budgeting for estimated cost to completion.• Assessing the reasonableness of key assumptions and estimates in management's assessment including:<ul style="list-style-type: none">— expected future sales prices which we compared to contracted sales prices of the underlying properties or current market prices of properties with comparable conditions and locations, where applicable;— anticipated costs to completion and committed construction contracts that we compared to latest approved budgets on total construction costs and checked to supporting documentation such as quantity surveyor reports and construction contracts (for properties held for sale under development).• Assessing the adequacy of the disclosures related to the recoverability of completed properties held for sale and properties held for sale under development in the context of HKFRS disclosure requirements. <p>Based on the procedures performed, we considered that the risk assessment of recoverability of completed properties held for sale and properties held for sale under development remained appropriate, and the methods, significant assumptions and data used by management is supported by the available evidence.</p>



Independent Auditor's Report

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	6,006,392	4,000,332
Cost of sales		(2,537,051)	(2,770,328)
Gross profit		3,469,341	1,230,004
Other income	5	1,524	788
Other gains, net	5	14,696	7,866
Fair value gains on investment properties	14	405,582	1,962,563
Selling and marketing expenses		(576,515)	(208,748)
Administrative expenses		(282,137)	(192,146)
Operating profit		3,032,491	2,800,327
Finance income	8	35,687	32,094
Finance cost	8	(122,182)	(75,969)
Finance cost, net	8	(86,495)	(43,875)
Profit before tax	6	2,945,996	2,756,452
Income tax expense	9	(1,568,649)	(1,068,898)
Profit for the year		1,377,347	1,687,554
Attributable to:			
Owners of the Company		1,402,249	1,681,922
Non-controlling interests		(24,902)	5,632
		1,377,347	1,687,554
Earnings per share			
Basic and diluted	10	HK81.93 cents	HK98.27 cents

The notes on page 81 to 137 are integral part of the consolidated financial statements,

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	1,377,347	1,687,554
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	276,642	397,165
Total comprehensive income for the year	1,653,989	2,084,719
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	1,687,088	2,071,934
Non-controlling interests	(33,099)	12,785
	1,653,989	2,084,719

The notes on page 81 to 137 are integral part of the consolidated financial statements

Consolidated Balance Sheet

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	11	13,507	40,726
Construction in progress	11	67,910	48,692
Right-of-use assets	12	5,164	10,484
Intangible asset	13	22,746	23,319
Investment properties	14	7,535,154	5,953,642
Deferred tax assets	22	858,736	393,045
Total non-current assets		8,503,217	6,469,908
Current assets			
Completed properties held for sale	15	656,899	3,111,389
Properties held for sale under development	15	33,183,235	5,284,351
Prepayments, land and other deposits and other receivables	16	820,701	3,198,422
Contract assets	17	62,201	54,645
Tax recoverable		49,443	—
Restricted bank balances	18	444,029	96,681
Cash and cash equivalents	18	2,588,393	2,647,323
Total current assets		37,804,901	14,392,811
Total assets		46,308,118	20,862,719
Liabilities			
Current liabilities			
Trade and bills payables	19	(320,430)	(101,213)
Other payables, accruals and provisions	19	(10,963,460)	(1,371,635)
Contract liabilities	20	(2,287,380)	(2,106,881)
Lease liabilities	12	(4,439)	(6,542)
Tax payable		(2,777,274)	(1,468,852)
Bank borrowings	21	(1,505,140)	(735,152)
Loans from fellow subsidiaries	31(c)	(574,724)	(475,280)
Total current liabilities		(18,432,847)	(6,265,555)
Net current assets		19,372,054	8,127,256
Total assets less current liabilities		27,875,271	14,597,164

Consolidated Balance Sheet (continued)

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Bank and other borrowings	21	(5,488,816)	(1,941,119)
Loans from fellow subsidiaries	31(c)	(9,640,127)	(4,610,216)
Loans from non-controlling interests	31(c)	(324,122)	—
Loan from the ultimate holding company	31(c)	(2,130,640)	—
Lease liabilities	12	(1,035)	(4,209)
Deferred tax liabilities	22	(956,561)	(1,071,175)
Other payable	19	(15,579)	(15,134)
Total non-current liabilities		(18,556,880)	(7,641,853)
Total liabilities		(36,989,727)	(13,907,408)
Net assets		9,318,391	6,955,311
Equity			
Equity attributable to owners of the Company			
Share capital	23	171,154	171,154
Reserves	24	8,314,491	6,664,629
		8,485,645	6,835,783
Non-controlling interests	25	832,746	119,528
Total equity		9,318,391	6,955,311

LI Yonggang
Director

JIAO Li
Director

The notes on page 81 to 137 are integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									Non-controlling interest	Total equity
	Share capital	Share premium account*	Capital reserve*	Property revaluation reserve*	Enterprise development funds*	Reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2020	171,154	1,688,606	13,824	6,984	216	218,085	(146,505)	2,811,485	4,763,849	106,161	4,870,010
Profit for the year	—	—	—	—	—	—	—	1,681,922	1,681,922	5,632	1,687,554
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	390,012	—	390,012	7,153	397,165
Total comprehensive income for the year	—	—	—	—	—	—	390,012	1,681,922	2,071,934	12,785	2,084,719
Transactions with owners in their capacity as owners:											
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	—	—	582	582
Transfer to reserve funds	—	—	—	—	—	73,152	—	(73,152)	—	—	—
At 31 December 2020	171,154	1,688,606	13,824	6,984	216	291,237	243,507	4,420,255	6,835,783	119,528	6,955,311

	Attributable to owners of the Company									Non-controlling interest	Total equity
	Share capital	Share premium account*	Capital reserve*	Property revaluation reserve*	Enterprise development funds*	Reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2021	171,154	1,688,606	13,824	6,984	216	291,237	243,507	4,420,255	6,835,783	119,528	6,955,311
Profit for the year	—	—	—	—	—	—	—	1,402,249	1,402,249	(24,902)	1,377,347
Other comprehensive (loss)/income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	284,839	—	284,839	(8,197)	276,642
Total comprehensive income for the year	—	—	—	—	—	—	284,839	1,402,249	1,687,088	(33,099)	1,653,989
Transactions with owners in their capacity as owners:											
Non-controlling interest on an acquisition of subsidiary	—	—	—	—	—	—	—	—	—	746,317	746,317
Transaction with a non-controlling interest	—	—	(11,039)	—	—	—	—	—	(11,039)	—	(11,039)
Transfer to reserve funds	—	—	—	—	—	2,689	—	(2,689)	—	—	—
Dividend paid	—	—	—	—	—	—	—	(26,187)	(26,187)	—	(26,187)
At 31 December 2021	171,154	1,688,606	2,785	6,984	216	293,926	528,346	5,793,628	8,485,645	832,746	9,318,391

* These reserve accounts comprise the consolidated reserves of HK\$8,485,645,000 (2020: HK\$6,664,629,000) in the consolidated balance sheet.

The notes on page 81 to 137 are integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Net cash used in operations	29(a)	(8,369,651)	(1,360,022)
Interest received		35,699	32,242
Interest paid		(332,782)	(125,454)
PRC tax refund		—	104,145
PRC tax paid		(976,752)	(661,814)
Net cash flows used in operating activities		(9,643,486)	(2,010,903)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(6,182)	(10,240)
Additions to investment properties		(915,130)	(728,001)
Additions to construction in progress	11	(17,518)	(11,701)
Additions to intangible asset		—	(9,554)
Acquisitions of subsidiaries		(537,719)	—
Payment of the consideration payable for acquisitions of subsidiaries		(45,937)	—
Net proceeds from disposal of a subsidiary		—	68
Net cash flows used in investing activities		(1,522,486)	(759,428)
Cash flows from financing activities			
Dividend paid		(26,187)	—
Drawdown of bank and other borrowings		5,191,409	1,026,695
Repayment of bank loans		(1,024,609)	(236,313)
Increase in loans from fellow subsidiaries		4,894,483	3,375,900
Increase in loan from the ultimate holding company		2,098,239	—
Increase in loans from non-controlling interests		24,090	—
Repayment of loans from non-controlling interests		(57,225)	—
Principal elements of lease payments		(5,382)	(9,082)
(Decrease)/increase in amounts due to non-controlling interests		(158,208)	125,299
Net cash flows from financing activities	29(b)	10,936,610	4,282,499
Net (decrease)/increase in cash and cash equivalents		(229,362)	1,512,168
Cash and cash equivalents at beginning of year		2,647,323	1,001,458
Effect of foreign exchange rate changes, net		170,432	133,697
Cash and cash equivalents at end of year	18	2,588,393	2,647,323

The notes on page 81 to 137 are integral part of the consolidated financial statements.

Notes to Financial Statements

1 General Information

Guangdong Land Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. In the opinion of the directors, the ultimate holding company of the Company is Guangdong Holdings Limited (廣東粵海控股集團有限公司) (“Guangdong Holdings”), a company established in the People’s Republic of China (the “PRC”).

During the year, the Company and its subsidiaries (together, the “Group”) were involved in property development and investment businesses. The principal activities of the Company’s principal subsidiaries are set out in note 34.

The Company has its listing on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of completed investment properties and investment properties under development which are carried at fair value as of 31 December 2021.

The PRC government has implemented and continues to implement certain adjustment measures aimed at managing the fluctuations of the real estate market. The Group remains vigilant to the regulatory developments as well as any potential downturn in the real estate market due to the COVID environment and macro economic developments.

The Group adopts prudent liquidity risk management which includes maintaining sufficient cash and bank balances, and having available committed financing through its available credit facilities from banks and group companies. The Group regularly secures committed funding from the Group’s fellow subsidiaries owned by Guangdong Holdings to finance its property projects. The Group’s objective is to maintain a balance between continuity of funding and flexibility of external/group financing and market rates.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

In view of the heightened regulatory environment and stabilising measures implemented by the PRC government, management has prepared cash flow forecast of the Group for a minimum period of twelve months from 31 December 2021. The directors of the Company have given careful consideration to assess the future liquidity and performance of the Group, of which the Group has taken into account of various key considerations, including but not limited to:

- (i) estimated proceeds received from sales and presales of properties;
- (ii) estimated operating cash flows and capital expenditure requirements for the Group's property projects which are under development; and
- (iii) the availability of committed credit facilities from the Group's fellow subsidiaries owned by Guangdong Holdings and available committed bank facilities.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors of the Company considered it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(i) *New amendments to standards and framework adopted by the Group*

The Group has adopted the following new amendments to standards and framework which are mandatory for the financial year beginning 1 January 2021.

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKFRS 9, HKAS 39 and HKFRS 7 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform Phase 2

The Group has assessed the impact of the adoption of these new amendments to standards and framework. They did not have any significant impact on the Group's results.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

- (ii) *New standards, amendments to standards and interpretations which are not yet effective for this financial year and have not been early adopted by the Group*

The Group has not early adopted the following new standards, amendments to standards and interpretations that have been issued but are not yet effective for financial periods beginning on or after 1 January 2021:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand	1 January 2023
Annual Improvements to HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018 — 2020 Cycle	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

The Group will adopt the new standards, amendments to standards and interpretations and the Group is in the process of assessing the impact on the financial statements.



Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(b) Consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests, proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated unless the transaction provides evidence of an impairment of transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(b) Consolidation (continued)

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Dilution gains or losses on transaction with non-controlling interests are also recorded in equity.

(iii) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK dollar"), which is the Group's presentation currency and the Company's functional currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to bank borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(c) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment including buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	3% - 20%
Office equipment	18% - 20%
Furniture and fixtures	18% - 20%
Motor vehicles	18% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(e) Intangible asset

Separately acquired trademarks and licences are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The Group amortises intangible asset with a limited useful life using the straight-line method over the following period:

Trademark	20 years
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(f) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Completed investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss.

If the fair value of investment properties under development cannot be reliably measured, the investment properties under development will be measured at cost until such time as fair value can be measured or construction is completed.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred. Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value.

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of an investment property, the transaction price less the carrying value immediately prior to the sale is treated as gain/loss on disposal of investment property and is recorded in consolidated statement of profit or loss.



Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(g) Properties held for sale under development and completed properties held for sale

Properties held for sale under development are investments in land and buildings on which construction work and development have not been completed and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

Completed properties held for sale are stated at the lower of cost and estimated net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, other direct expenses and where applicable borrowing costs attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates of anticipated sale proceeds based on prevailing market conditions.

(h) Leases

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(h) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(i) Financial assets (continued)

(iii) Measurement

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

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains, net" in the period in which it arises.

(iv) Impairment

The Group has four types of financial assets that are subject to HKFRS 9's expected credit loss model:

- other receivables
- contract assets
- restricted bank balances
- cash and cash equivalents; and
- financial guarantees

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

For trade receivables (if any), the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(i) Financial assets (continued)

(v) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(m) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(m) Employee benefits (continued)

(ii) Pension obligations

The Group operates several defined contribution retirement schemes and mandatory provident fund schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are expensed as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(n) Borrowings

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

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in the consolidated income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Trade payables

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

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

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Revenue recognition

Sales of properties

Under HKFRS 15, revenue is recognised as or when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

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

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Rental income

Rental income is recognised in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(s) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(s) Contract assets and contract liabilities (continued)

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated statement of profit or loss to the extent that the carrying amount of the contract assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

(t) Share capital

Ordinary shares are classified as equity.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated statement of profit or loss in the year in which they are incurred.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

(w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Notes to Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(y) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to Financial Statements (continued)

3 Critical Accounting Estimates and Judgements (continued)

(a) Critical accounting estimates (continued)

(i) Estimate of fair value of investment properties

The fair value of each completed investment property is individually measured at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have relied on the income capitalisation method or the market approach. The fair value derived from income capitalisation approach is based upon estimates of future results and a set of assumptions specific to each property to reflect its cashflow profile, while the direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties.

Fair value of investment properties under development is generally derived using the residual method. This valuation method is essentially a means of valuing the properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Details of the estimates and assumptions have been disclosed in note 14.

(ii) Provision of impairment for properties held for sale under development and completed properties held for sale

The Group assesses the carrying amounts of properties held for sale under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price based on prevailing market conditions. If the carrying amounts of the underlying stock of properties fluctuate from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties held for sale under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

(iii) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers whether tax authorities would agree on the deductible temporary difference and whether it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.



Notes to Financial Statements (continued)

3 Critical Accounting Estimates and Judgements (continued)

(b) Critical judgements in applying the Group's accounting policies

(i) *Distinction between investment properties and properties held for sale*

The Group determines whether a property qualifies as an investment property or property held for sale. In making the judgement, the Group considers the intention of holding the property (land or building). Property held to earn rental or for capital appreciation is considered as investment property whereas property held for sale in the ordinary course of business is considered as property held for sale. The Group considers each property separately in making its judgement.

(ii) *Estimate of fair value of investment properties under development*

Properties under construction or development for future used as investment properties are classified as investment properties under development. If the fair value cannot be reliably measured, the investment properties under development will be measured at cost until such time as fair value can be reliably measured. The Group has to exercise judgement in determining when the fair value of investment properties under development can be reliably measured, which might include the consideration of (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) the remaining construction cost can be accurately estimated. Other indications may also be appropriate in light of the facts and circumstances of individual developments. The directors concluded that certain investment properties under development continues to be measured at cost until the development plans or the remaining construction cost can be accurately estimated (Note 14).

4 Segment Information

For management purposes, the Group is organised into business units based on the projects and has three reportable segments as follows:

- (a) the property development segment consists of property development;
- (b) the property investment segment consists of property investment, leasing and management operations; and
- (c) the other segment consists of corporate and other income and expense items.

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

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Notes to Financial Statements (continued)

4 Segment Information (continued)

(a) Segment result, assets and liabilities

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Segment revenue:				
Sales to external customers	5,986,116	20,276	—	6,006,392
Segment results				
Reconciliation:				
Finance income				35,687
Finance cost				(122,182)
Profit before tax				2,945,996
Year ended 31 December 2020				
Segment revenue:				
Sales to external customers	3,983,827	16,505	—	4,000,332
Segment results				
Reconciliation:				
Finance income				32,094
Finance cost				(75,969)
Profit before tax				2,756,452

Notes to Financial Statements (continued)

4 Segment Information (continued)

(a) Segment result, assets and liabilities (continued)

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2021				
Segment assets	37,862,567	7,553,461	33,354	45,449,382
Reconciliation:				
Unallocated assets				858,736
Total assets				46,308,118
Segment liabilities	(34,988,415)	(10,065)	(1,034,686)	(36,033,166)
Reconciliation:				
Unallocated liabilities				(956,561)
Total liabilities				(36,989,727)
Other information				
Fair value gains on investment properties	—	405,582	—	405,582
Depreciation	(7,025)	—	(3,193)	(10,218)
Capital expenditure	(23,489)	(945,035)	(211)	(968,735)
As at 31 December 2020				
Segment assets	14,422,058	5,995,264	52,352	20,469,674
Reconciliation:				
Unallocated assets				393,045
Total assets				20,862,719
Segment liabilities	(12,784,989)	(12,816)	(38,428)	(12,836,233)
Reconciliation:				
Unallocated liabilities				(1,071,175)
Total liabilities				(13,907,408)
Other information				
Fair value gains on investment properties	—	1,962,563	—	1,962,563
Depreciation	(20,558)	—	(3,193)	(23,751)
Capital expenditure	(21,828)	(754,379)	(113)	(776,320)

Notes to Financial Statements (continued)

4 Segment Information (continued)

(b) Geographical information

Revenue and non-current assets information is based on the locations of the customers and the locations of the assets. As the Group's major operations are principally located in Mainland China, no further geographical segment information is provided.

(c) Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 31 December 2021 and 2020.

5 Revenue, Other Income and Other Gains, Net

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

	2021 HK\$'000	2020 HK\$'000
Revenue		
From contract with customers:		
— Sales of properties recognised at a point in time	5,986,116	3,983,827
From other sources:		
— Rental income	20,276	16,505
	6,006,392	4,000,332
Other income		
Entrusted management services income	1,524	788
Other gains, net		
Loss on disposal of property, plant and equipment	(1,394)	(87)
Exchange gains, net	4,383	4,930
Sales deposits forfeiture	2,624	791
Loss on disposal of a subsidiary (Note)	—	(396)
Others	9,083	2,628
	14,696	7,866

Note:

On 19 November 2020, the Group (the "Seller") and Yuehai Property Management Co., Ltd. (the "Purchaser"), a then wholly-owned subsidiary of Guangdong Holdings, entered into the Sale and Purchase Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the entire equity capital of Shenzhen Yuehai Yueshenghuo Property Management Co., Ltd. (the "Disposed Company"), a wholly-owned subsidiary of the Seller prior to the completion of the disposal, which principally engages in property management business in the PRC, at a consideration of RMB6,907,320 (equivalent to approximately HK\$7,773,000). As of the disposal date, the Disposed Company was at a net-asset position of RMB7,259,086 (equivalent to approximately HK\$8,169,000), including cash and cash equivalent of RMB6,846,966 (equivalent to approximately HK\$7,705,000), resulting in a disposal loss of RMB351,766 (equivalent to approximately HK\$396,000).

Notes to Financial Statements (continued)

6 Profit Before Tax

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

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales			
— properties		2,535,683	2,764,975
— others		1,368	5,353
Depreciation of property, plant and equipment	11	4,215	17,065
Depreciation of right-of-use assets	12	6,003	6,686
Rental expenses (<i>Note</i>)		4,240	758
Business taxes and surcharges		49,937	35,182
Auditor's remuneration			
— audit services		2,600	2,260
— non-audit services		1,656	4,392
Directors' emoluments	7	15,966	8,281
Staff costs			
— wages and salaries		250,263	171,173
— provident fund contributions		33,210	10,049
— forfeited contributions		(17)	(22)
		283,456	181,200
<i>Less: amount capitalised under property development projects</i>		(95,496)	(58,447)
Total staff costs expensed during the year		187,960	122,753

Note:

The amount was associated with short-term leases.

Notes to Financial Statements (continued)

7 Benefits and Interests of Directors and Five Highest Paid Individuals

(a) Directors' emoluments

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance- related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2021					
<i>Executive Directors:</i>					
XU Yeqin (Note i)	—	1,110	4,480	777	6,367
LAN Runing (Chairman) (Note ii)	—	—	—	—	—
LI Yonggang	—	1,399	2,812	709	4,920
WU Mingchang	—	—	—	—	—
ZHU Guang	—	—	—	—	—
ZHANG Jun (Note iii)	—	582	2,036	96	2,714
JIAO Li (Note iv)	—	273	—	52	325
	—	3,364	9,328	1,634	14,326
<i>Independent Non-Executive Directors:</i>					
Alan Howard SMITH	520	—	—	—	520
Felix FONG Wo	560	—	—	—	560
Vincent Marshall LEE Kwan Ho	560	—	—	—	560
	1,640	—	—	—	1,640
2020					
<i>Executive Directors:</i>					
XU Yeqin (Chairman) (Note i)	—	900	—	418	1,318
LI Yonggang	—	1,025	2,289	613	3,927
WU Mingchang	—	—	—	—	—
ZHU Guang	—	—	—	—	—
ZHANG Jun (Note iii)	—	569	743	84	1,396
	—	2,494	3,032	1,115	6,641
<i>Independent Non-Executive Directors:</i>					
Alan Howard SMITH	520	—	—	—	520
Felix FONG Wo	560	—	—	—	560
Vincent Marshall LEE Kwan Ho	560	—	—	—	560
	1,640	—	—	—	1,640

Notes to Financial Statements (continued)

7 Benefits and Interests of Directors and Five Highest Paid Individuals (continued)

(a) Directors' emoluments (continued)

Notes:

- (i) XU Yeqin was appointed and resigned as an Executive Director and the Chairman of the Board effective from 20 February 2020 and 15 September 2021 respectively.
- (ii) LAN Runing was appointed as an Executive Director and the Chairman of the Board effective from 15 September 2021.
- (iii) ZHANG Jun was appointed and resigned as an Executive Director effective from 20 February 2020 and 15 September 2021 respectively.
- (iv) JIAO Li was appointed as an Executive Director effective from 15 September 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

(b) Directors, material interests in transactions, arrangements or contracts

Save as mentioned elsewhere in the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The highest paid individuals during the year included 2 directors (2020: 1 director). Details of directors' and chief executives' remuneration are set out in note 7(a) above. Details of the remuneration for the year of the five (2020: five) highest paid individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	5,294	4,430
Performance-related bonuses	13,256	6,327
Pension scheme contributions	2,213	1,121
	20,763	11,878

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

	Number of employees	
	2021	2020
HK\$1,500,001 to HK\$2,500,000	—	3
HK\$2,500,001 to HK\$3,500,000	3	1
	3	4

Notes to Financial Statements (continued)

8 Finance Income/(Cost)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
— bank interest income	35,687	32,094
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance cost		
— interest expenses on bank and other borrowings	229,018	107,564
— interest expenses on loans from fellow subsidiaries	345,774	115,860
— interest expenses on loans from the ultimate holding company	93,853	—
— interest expenses on loans from non-controlling interests	22,291	—
— others	2,179	1,731
Total finance cost incurred	693,115	225,155
Less: amount capitalised under property development projects	(570,933)	(149,186)
Total finance cost expensed during the year	122,182	75,969

For the year ended 31 December 2021, the capitalised interest rate applied to funds borrowed and used for the development of properties is between 1.21% and 6.50% (2020: 3.83% and 4.75%) per annum.

9 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 elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. PRC corporate income tax has been provided at the rate of 25% (2020: 25%) on the estimated assessable profit for the year.

Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Note</i>	
Current income tax		
— PRC taxation	867,034	533,827
Under-provision of corporate income tax in Mainland China	—	323
LAT in Mainland China	1,292,710	1,027,158
Deferred income tax	(591,095)	(492,410)
	22	
	1,568,649	1,068,898

Notes to Financial Statements (continued)

9 Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax	2,945,996	2,756,452
Tax at the statutory tax rates of 25% (2020: 25%)	736,499	689,113
Tax effect of different taxation rate	344	318
Under-provision of corporate income tax in Mainland China	—	323
Income not subject to tax	(1,705)	(3,576)
Expenses not deductible for tax	14,742	11,909
Utilisation of previously unrecognised tax losses	(1,323)	(160)
Tax losses not recognised	—	14,512
LAT deductible for calculation of income tax purposes	(280,972)	(256,789)
Release of deferred LAT liabilities	(191,646)	(413,910)
LAT in Mainland China	1,292,710	1,027,158
Income tax expense	1,568,649	1,068,898

10 Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$1,402,249,000 (2020: HK\$1,681,922,000) and the number of ordinary shares of 1,711,536,850 (2020: 1,711,536,850) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021 and 2020.

Notes to Financial Statements (continued)

11 Property, Plant and Equipment

	Note	Buildings HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2021		63,507	22,842	581	3,537	48,692	139,159
Additions		—	5,075	232	875	17,518	23,700
Acquisitions of subsidiaries		188	365	76	660	—	1,289
Transfer to investment properties		(56,165)	—	—	—	—	(56,165)
Disposals		(152)	(7,498)	(28)	—	—	(7,678)
Exchange differences		1,090	589	17	130	1,700	3,526
At 31 December 2021		8,468	21,373	878	5,202	67,910	103,831
Accumulated depreciation							
At 1 January 2021		33,227	14,580	291	1,643	—	49,741
Charge for the year	6	96	3,375	100	644	—	4,215
Transfer to investment properties		(26,210)	—	—	—	—	(26,210)
Disposals		(137)	(6,134)	(13)	—	—	(6,284)
Exchange differences		542	346	5	59	—	952
At 31 December 2021		7,518	12,167	383	2,346	—	22,414
Net book value at 31 December 2021							
		950	9,206	495	2,856	67,910	81,417
Cost							
At 1 January 2020		54,661	17,746	1,006	2,412	—	75,825
Additions		4,227	4,382	389	1,242	11,701	21,941
Transfer from investment properties		—	—	—	—	34,413	34,413
Disposals		—	(541)	(835)	(323)	—	(1,699)
Exchange differences		4,619	1,255	21	206	2,578	8,679
At 31 December 2020		63,507	22,842	581	3,537	48,692	139,159
Accumulated depreciation							
At 1 January 2020		19,451	9,097	1,006	1,569	—	31,123
Charge for the year	6	11,488	5,196	113	268	—	17,065
Disposals		—	(487)	(834)	(291)	—	(1,612)
Exchange differences		2,288	774	6	97	—	3,165
At 31 December 2020		33,227	14,580	291	1,643	—	49,741
Net book value at 31 December 2020							
		30,280	8,262	290	1,894	48,692	89,418

Notes to Financial Statements (continued)

11 Property, Plant and Equipment (continued)

Depreciation charge was expensed in the following categories in the consolidated statement of profit or loss:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Selling and marketing expenses	170	11,874
Administrative expenses	4,045	5,191
	4,215	17,065

12 Right-Of-Use Assets and Lease Liabilities

(a) Amounts recognised in the consolidated balance sheet

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Right-of-use assets		
Properties — offices	5,164	10,484
Lease liabilities		
Current	4,439	6,542
Non-current	1,035	4,209
	5,474	10,751

There were additions of HK\$3,505,128 to the right-of-use assets during the year (2020: Nil).

(b) Amounts recognised in the consolidated statement of profit or loss

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation charge of right-of-use assets		
Properties — offices	6,003	6,686
Interest expense included in finance cost	408	792

The total cash outflow for leases including the interest expense during the year was HK\$7,040,000 (2020: HK\$9,874,000).

Notes to Financial Statements (continued)

13 Intangible Asset

	Trademark HK\$'000
Cost	
At 1 January 2021	24,439
Addition	—
Exchange difference	718
At 31 December 2021	25,157
Accumulated amortisation	
At 1 January 2021	1,120
Charge for the year	1,239
Exchange difference	52
At 31 December 2021	2,411
Net book value at 31 December 2021	22,746
	Trademark HK\$'000
Cost	
At 1 January 2020	—
Addition	23,145
Exchange difference	1,294
At 31 December 2020	24,439
Accumulated amortisation	
At 1 January 2020	—
Charge for the year	1,061
Exchange difference	59
At 31 December 2020	1,120
Net book value at 31 December 2020	23,319

Notes to Financial Statements (continued)

14 Investment Properties

	Completed investment properties at fair value <i>HK\$'000</i> <i>(Note a)</i>	Investment properties under development at fair value <i>HK\$'000</i> <i>(Note a)</i>	Investment properties under development at cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
2020				
At 1 January 2020	481,762	1,456,771	1,002,840	2,941,373
Additions	—	754,379	—	754,379
Transfer from investment properties under development at cost to investment properties under development at fair value <i>(Note b)</i>	—	968,427	(968,427)	—
Transfer to construction in progress	—	—	(34,413)	(34,413)
Fair value (losses)/gains on investment properties	(29,038)	1,991,601	—	1,962,563
Exchange differences	19,752	309,988	—	329,740
At 31 December 2020 and 1 January 2021	472,476	5,481,166	—	5,953,642
Additions	—	945,035	—	945,035
Acquisitions of subsidiaries	8,088	—	—	8,088
Transfer from property, plant equipment at cost to completed investment properties at fair value	29,955	—	—	29,955
Fair value (losses)/gains on investment properties	(39,377)	444,959	—	405,582
Exchange differences	10,394	182,458	—	192,852
At 31 December 2021	481,536	7,053,618	—	7,535,154

As at 31 December 2021, investment properties under development of fair value HK\$7,053,618,000 (2020: HK\$5,481,166,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (Note 21).

Notes:

- (a) The Group measures its completed investment properties and investment properties under development at fair value. Independent valuation of the Group's investment properties was performed by the valuer, RHL Appraisal Limited ("RHL") who hold a recognised relevant professional valuations were conformed to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

The Group's completed investment properties and investment properties under development at fair value carried at fair value of HK\$7,535,154,000 (2020: HK\$5,953,642,000) are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

- (b) After the development plan was substantially finalised whereby the related construction permit was obtained from the government authority in January 2020 and certain major construction contracts were substantially finalised in the second quarter of 2020, the Group has concluded that the fair value of the Southern Land of the GDH City Project of HK\$968,427,000 can be reliably determined and therefore transferred from cost model to fair value model as at 30 June 2020. The corresponding fair value gain of HK\$1,961,666,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2020.

Notes to Financial Statements (continued)

14 Investment Properties (continued)

Fair value measurements using significant unobservable inputs

As at 31 December 2021, the completed commercial properties which is located at Zhuguang Road in the PRC carrying at fair value of HK\$424,416,000 (2020: HK\$434,881,000) is derived using the income capitalisation method. Income capitalisation method is based on the capitalisation of the reversionary income potential by adopting appropriate market yields, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have referred to valuers' view of recent lettings, within the subject properties and other comparable properties.

For the commercial properties under development on the Northern Land and the Southern Land of the GDH City Project in the PRC, the respective fair value of HK\$2,649,235,000 (2020: HK\$1,789,429,000) and HK\$4,404,383,000 (2020: HK\$3,691,737,000) are derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The warehouse properties in the PRC, carrying at fair value of HK\$47,491,000 (2020: HK\$37,595,000) were assessed by adopting a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land respectively. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land price in Shenzhen, Guangdong, the PRC. As the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost.

The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

Market approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Notes to Financial Statements (continued)

14 Investment Properties (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2021	2020
The Northern Land of the GDH City Project, the investment properties under development at fair value	Residual method	Market yield for the gross development value	6%	6%
		Estimated cost of construction (per sq. m.)	HK\$7,342 (Basement carpark, facilities and others)/ HK\$9,300 (Commercial and underground commercial)	HK\$6,752 (Basement carpark, facilities and others)/ HK\$8,440 (Commercial and underground commercial)
		Estimated developer's profit	12%	20%
The Southern Land of the GDH City Project, the investment properties under development at fair value	Residual method	Market yield for the gross development value	6%	6%
		Estimated cost of construction (per sq. m.)	HK\$7,342 (Basement carpark, facilities and others)/ HK\$9,300 (Commercial and underground commercial)/ HK\$11,442 (Office)	HK\$6,752 (Basement carpark, facilities and others)/ HK\$8,440 (Commercial and underground commercial)/ HK\$10,578 (Office)
		Estimated developer's profit	19%	20%

Notes to Financial Statements (continued)

14 Investment Properties (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs: (continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2021	2020
Zhuguang Road completed commercial properties	Income capitalisation method	Market yield	4.5% (Term yield)/ 5% (Reversionary yield)	4.5% (Term yield)/ 5% (Reversionary yield)
		Estimated rental per month (per sq. m.)	HK\$61 to HK\$306	HK\$70 to HK\$278
Warehouse properties	Market approach	Estimated land value (per sq. m.)	HK\$3,899	HK\$2,492 to HK\$5,450
	Depreciated replacement cost method	Estimated cost of construction (per sq. m.)	HK\$5,507 to HK\$5,629	HK\$5,064
Parking spaces	Market approach	Estimated unit rate (per car parking space)	HK\$236,174	HK\$Nil
Clubhouse	Market approach	Estimated unit rate (per sq.m.)	HK\$5,813	HK\$Nil
Kindergarten	Income capitalisation method	Market yield	6% (Term yield)/ 6.5% (Reversionary yield)	Nil
		Estimated rental per month (per sq. m.)	HK\$31	HK\$Nil

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

Prevailing market rents are estimated based on RHL, view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Market yield is estimated by RHL based on the risk profile of the properties being valued. The higher the yield, the lower the fair value.

A significant increase/decrease in the land value and decrease/increase in the estimated cost of construction would result in a significant increase/decrease in the fair values of the investment properties.

Notes to Financial Statements (continued)

15 Completed Properties Held for Sale and Properties Held for Sale Under Development

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Completed properties held for sale	656,899	3,111,389

No completed properties held for sale was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (2020: HK\$72,531,000) (Note 21).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties held for sale under development expected to be completed and delivered:		
— Within a normal operating cycle included under current assets	33,183,235	5,284,351
Amounts comprise:		
— Land premium and construction costs	32,633,903	5,188,245
— Finance cost capitalised	549,332	96,106
	33,183,235	5,284,351

The normal operating circle of the Group's property development generally ranges from one to three years.

At the end of the reporting period, properties held for sale under development of HK\$33,160,487,000 (2020: HK\$5,236,409,000) were not scheduled for completion within twelve months.

Properties held for sale under development of HK\$4,451,985,000 (2020: HK\$1,092,538,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (Note 21).

Notes to Financial Statements (continued)

16 Prepayments, Land and Other Deposits and Other Receivables

	Notes	2021 HK\$'000	2020 HK\$'000
Prepayments	(a)	780,204	222,246
Land and other deposits and other receivables	(b)	40,497	2,976,176
		820,701	3,198,422

Notes:

- (a) The balance included the prepayment for Huizhou Project, Foshan Project and Zhongshan Project construction contracts of HK\$133,000,000 (2020: Jiangmen Project and Zhuhai Project's construction contracts of HK\$26,481,000).
- (b) As of 31 December 2020, the balance included the land deposits for Foshan Laurel House Project and Zhongshan GDH City Project of HK\$2,954,000,000.

The carrying amount of prepayments, land and other deposits and other receivables are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	948	856
Renminbi	819,753	3,197,566
	820,701	3,198,422

The Group's consolidated balance as at 31 December 2021 included amounts due from fellow subsidiaries of HK\$3,384,000 (2020: Amounts due from fellow subsidiaries of HK\$2,830,000 and amount due from the ultimate holding company of HK\$832,000).

None of the above assets is past due. The credit risk of the financial assets included in the above balances are low as the counterparties were either government authorities, state-owned entities or wholly owned subsidiaries of Guangdong Holdings with strong financial position. With no significant increase in credit risk at year end and taking into account of the forward-looking information, the expected credit loss was considered as immaterial to the Group (2020: Same).

17 Contract Assets

The Group has recognised the following assets related to contracts with customers which are denominated in Renminbi:

	2021 HK\$'000	2020 HK\$'000
Contract assets relating to sales commission of property sales	62,201	54,645

Notes to Financial Statements (continued)

18 Restricted Bank Balances and Cash and Cash Equivalents

	Note	2021 HK\$'000	2020 HK\$'000
Cash and bank balances		3,019,054	2,704,980
Time deposits with original maturity of less than three months when acquired		13,368	39,024
		3,032,422	2,744,004
Less: restricted bank balances	(a)	(444,029)	(96,681)
Cash and cash equivalents		2,588,393	2,647,323

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	14,497	5,604
Renminbi	3,017,842	2,699,023
United States dollar	83	39,377
	3,032,422	2,744,004

Note:

- (a) Balance at 31 December 2021 mainly represented pre-sale proceeds from and properties held for sale under development placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC amounting to approximately HK\$442,467,000 (2020: HK\$96,499,000).

At the end of the reporting period, cash and bank balances (excluding restricted bank balances) of the Group denominated in Renminbi ("RMB") amounted to HK\$2,573,814,000 (2020: HK\$2,602,342,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements (continued)

19 Trade, Bills and Other Payables, Accruals and Provisions

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables (Note a)	320,430	101,213
Construction costs accruals	2,331,895	763,831
Payables for land use rights	6,239,063	—
Other payables, accruals and provisions	1,606,690	461,950
Amounts due to group companies (Note b)	801,391	4,921
Amounts due to non-controlling interests (Note b)	—	156,067
	11,299,469	1,487,982
Less: current portion	(11,283,890)	(1,472,848)
Non-current portion	15,579	15,134

The carrying amounts of trade, bills and other payables, accruals and provisions approximate their fair values because of their immediate or short-term maturity. The balances are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong dollar	4,858	20,341
Renminbi	11,294,611	1,467,641
	11,299,469	1,487,982

Notes:

- (a) Trade payables are non-interest bearing; while bills payables are interest bearing. An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not yet due	452	29,705
1 to 3 months	3,755	2,048
Over 3 months	316,223	69,460
	320,430	101,213

- (b) Amounts due to group companies and non-controlling interests are unsecured, non-interest bearing and repayable on demand. The carrying amounts approximate their fair values.

Notes to Financial Statements (continued)

20 Contract Liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities	2,287,380	2,106,881

Notes:

- (a) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.
- (b) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
— Property sales	2,097,573	1,405,165

- (c) The following table shows the amount unsatisfied performance obligations resulting from property sales with an original expected duration of one year or more:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Expected to be recognised within one year	1,318,531	3,598,490

Notes to Financial Statements (continued)

21 Bank and Other Borrowings

	2021 HK\$'000	2020 HK\$'000
Bank borrowings — secured	5,116,198	2,676,271
Bank and other borrowings — unsecured	1,877,758	—
	6,993,956	2,676,271
Bank and other borrowings repayable as follows:		
Not exceeding 1 year	1,505,140	735,152
More than 1 year but not exceed 2 years	1,589,995	84,331
More than 2 years but not exceed 5 years	3,898,821	1,856,788
	6,993,956	2,676,271
Less: current portion	(1,505,140)	(735,152)
Non-current portion	5,488,816	1,941,119

Bank and other borrowings are secured by the following pledged assets:

	2021 HK\$'000	2020 HK\$'000
Completed properties held for sale (Note 15)	—	72,531
Investment properties (Note 14)	7,053,618	5,481,166
Properties held for sale under development (Note 15)	4,451,985	1,092,538
Pledged bank deposit (Note)	—	—
	11,505,603	6,646,235

Note:

Pursuant to the relevant bank loan agreement, the bank borrowing of HK\$892,863,000 (2020: HK\$879,268,000) is secured by a pledged bank deposit account. As at 31 December 2021, there is nil cash and bank deposit in this designated account (2020: Nil).

Out of the above secured bank borrowings of HK\$5,116,198,000 (2020: HK\$2,676,271,000), an aggregate amount of HK\$1,390,616,000 (2020: HK\$712,920,000) is also secured by pledge of shares of subsidiaries (Note 34).

The secured bank borrowings of HK\$5,116,198,000 (2020: HK\$2,676,271,000) are repayable by instalments. Such secured bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months.

As at 31 December 2021, the weighted average effective interest rate of the Group's bank borrowings is 4.00% (2020: 4.59%) per annum.

The carrying amounts of bank borrowings approximate their fair values and are denominated in Renminbi.

Notes to Financial Statements (continued)

22 Deferred Tax

The analysis of deferred tax assets and liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deferred tax assets:		
— to be realised after 12 months	858,736	378,566
— to be realised within 12 months	—	14,479
	858,736	393,045
Deferred tax liabilities:		
— to be settled after 12 months	(923,383)	(699,171)
— to be settled within 12 months	(33,178)	(372,004)
	(956,561)	(1,071,175)
	(97,825)	(678,130)

The movement on the net deferred tax account is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Beginning of the year	(678,130)	(1,125,567)
Credited in profit or loss	591,095	492,410
Exchange differences	(10,790)	(44,973)
	(97,825)	(678,130)

Notes to Financial Statements (continued)

22 Deferred Tax (continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	(155,471)	(1,150,943)	(12,104)	(1,318,518)
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (Note 9)	(498,106)	807,912	4,873	314,679
Exchange differences	(37,856)	(28,973)	(507)	(67,336)
At 31 December 2020 and 1 January 2021	(691,433)	(372,004)	(7,738)	(1,071,175)
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (Note 9)	(114,216)	344,434	(88,052)	142,166
Acquisitions of subsidiaries	(1,553)	—	—	(1,553)
Exchange differences	(20,519)	(5,608)	128	(25,999)
At 31 December 2021	(827,721)	(33,178)	(95,662)	(956,561)

Deferred tax assets

	Provision for LAT <i>HK\$'000</i>	Tax loss <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	102,077	36,905	53,969	192,951
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (Note 9)	211,591	(32,755)	(1,105)	177,731
Exchange differences	18,402	546	3,415	22,363
At 31 December 2020 and 1 January 2021	332,070	4,696	56,279	393,045
Deferred tax credited to the consolidated statement of profit or loss during the year (Note 9)	285,884	52,566	110,479	448,929
Acquisitions of subsidiaries	—	3,879	—	3,879
Exchange differences	14,168	(2,929)	1,644	12,883
At 31 December 2021	632,122	58,212	168,402	858,736

Notes to Financial Statements (continued)

22 Deferred Tax (continued)

Deferred tax assets (continued)

The Group has tax losses arising in the PRC of HK\$4,545,000 (2020: HK\$138,689,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the undistributed earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK\$3,950,341,000 at 31 December 2021.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23 Share Capital

	2021 HK\$'000	2020 HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
1,711,536,850 ordinary shares of HK\$0.10 each	171,154	171,154

24 Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 79 of the financial statements.

Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to the enterprise development funds and the reserve funds which are restricted as to use and are not available for distribution. When the balances of these reserves reach 50% of each company's share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of these subsidiaries.

Notes to Financial Statements (continued)

25 Partly Owned Subsidiary With Material Non-Controlling Interest

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interest:		
江門粵海置地有限公司 ("Jiangmen Yuehai")	49%	—
	2021	2020
	HK\$'000	HK\$'000
Loss for the year allocated to non-controlling interest:		
Jiangmen Yuehai	(16,357)	—
Accumulated balance of non-controlling interest at the reporting date:		
Jiangmen Yuehai	736,725	—

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2021	2020
	HK\$'000	HK\$'000
Jiangmen Yuehai		
Total expenses	(37,864)	—
Loss for the year	(33,382)	—
Total comprehensive loss for the year	(38,766)	—
Current assets	3,349,649	—
Non-current assets	6,983	—
Current liabilities	(835,978)	—
Non-current liabilities	(1,017,134)	—

26 Asset Acquisitions

In January 2021, the Group acquired from Guangdong Holdings, the ultimate holding company of the Company, (i) 51% of Jiangmen Yuehai Land Co., Ltd. (江門粵海置地有限公司) ("Jiangmen Yuehai") at a consideration of RMB954 million (of which including RMB306 million to assume 51% of the shareholder loan); and (ii) 100% of Huiyang Yuehai Property Development Co., Ltd. (惠陽粵海房產發展有限公司) and its subsidiary (together "Huiyang Yuehai") at a consideration of RMB274 million.

Notes to Financial Statements (continued)

26 Asset Acquisitions (continued)

Management accounted for the acquisitions as acquisition of assets and liabilities in accordance with the amendments to Hong Kong Financial Reporting Standards 3 (Revised) "Business Combination" which required the cost of acquisition to be allocated to individual identifiable assets and liabilities of the acquired companies on the basis of their relative fair values at the date of acquisition as summarised below:

	Jiangmen Yuehai Carrying value upon completion		Huiyang Yuehai Carrying value upon completion	
	RMB'000	HK\$'000	RMB'000	HK\$'000
Property, plant and equipment	548	657	527	632
Investment properties	—	—	6,749	8,088
Completed properties held for sale	—	—	4,260	5,105
Properties held for sale under development	1,843,839	2,209,657	195,425	234,197
Prepayments, deposits and other receivables	36,650	43,921	736	882
Cash and cash equivalents	61,671	73,907	72,224	86,553
Deferred tax assets, net	972	1,165	969	1,161
Other payables, accruals and provisions	(72,739)	(87,170)	(7,092)	(8,499)
Loans from shareholders	(600,000)	(719,040)	—	—
Non-controlling interest	(622,761)	(746,317)	—	—
Cash consideration on equity interests	648,180	776,780	273,798	328,119
Cash consideration paid during the year	194,453	233,034	120,471	144,372
Cash consideration payable	453,727	543,746	153,327	183,747
	648,180	776,780	273,798	328,119

27 Commitments

The Group had the following capital and other commitments at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for: Property development expenditure	11,580,609	1,660,694

Notes to Financial Statements (continued)

28 Guarantees

As at 31 December 2021, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2021, the Group's outstanding guarantees amounted to HK\$799,803,000 (2020: HK\$1,087,082,000) for these guarantees.

29 Note to the Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to net cash used in operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax	2,945,996	2,756,452
Depreciation	10,218	23,751
Finance costs	122,182	75,969
Finance income	(35,687)	(32,094)
Loss on disposal of property, plant and equipment	1,394	87
Exchange gains, net	(4,383)	(4,930)
Fair value gains on investment properties	(405,582)	(1,962,563)
Amortisation	1,239	1,061
Loss on disposal of a subsidiary	—	396
Operating profit before working capital changes	2,635,377	858,129
Decrease in completed properties held for sale	3,006,904	429,484
Increase in properties held for sale under development	(24,868,004)	(1,198,769)
Increase in right-of-use assets	(1,257)	—
Decrease in trade receivables	6,417	—
Decrease/(increase) in prepayments, land and other deposits and other receivables	2,480,687	(2,844,640)
Increase in contract assets	(6,723)	(25,423)
Decrease/(increase) in amount due from fellow subsidiaries	829,804	(2,480)
(Increase)/decrease in restricted bank balances	(306,650)	209,546
Decrease in a pledged bank deposit	—	43,241
Increase in trade and bills payables	212,957	94,277
Increase in amounts due to holding companies	352	—
Increase in other payable and accrued liabilities	7,523,371	535,449
Increase in amounts due to group companies	302	2,353
Increase in contract liabilities	116,812	538,811
Net cash used in operations	(8,369,651)	(1,360,022)

Notes to Financial Statements (continued)

29 Note to the Consolidated Statement of Cash Flows (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK\$'000	Loans from a fellow subsidiary HK\$'000	Loans from the ultimate holding company HK\$'000	Loan from a non-controlling interest HK\$'000	Lease liabilities HK\$'000	Amounts due to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021	2,676,271	5,085,496	—	—	10,751	156,067	7,928,585
Acquisition of a subsidiary	—	—	—	354,123	—	—	354,123
Cash flows from financing activities	4,166,800	4,894,483	2,098,239	(33,135)	(5,382)	(158,208)	10,962,797
Exchange differences	150,885	234,872	32,401	3,134	105	2,141	423,528
At 31 December 2021	6,993,956	10,214,851	2,130,640	324,122	5,474	—	19,669,043

30 Dividends Not Recognised at the end of the Reporting Period

At a meeting held on 30 March 2022, the Board of Directors proposed a final dividend of HK10.00 cents (2020: HK1.53 cents) per ordinary share for the year ended 31 December 2021 totaling to HK\$171,154,000 based on 1,711,536,850 ordinary share in issue as at 31 December 2021. The actual amount of final dividend payable in respect of the year ended 31 December 2021 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 30 June 2022.

31 Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following related party transactions during the year:

	Notes	2021 HK\$'000	2020 HK\$'000
Rental expenses paid to a fellow subsidiary	(i)	(3,252)	(3,252)
Information technology related service fee paid to a fellow subsidiary	(ii)	(795)	(336)
Consultancy fee paid to a fellow subsidiary	(iii)	(4,139)	(1,274)
Property management services fees paid to fellow subsidiaries	(iv)	(45,949)	(10,161)
Property leasing services fees paid to fellow subsidiaries	(v)	(7,315)	—
Interest expenses paid to fellow subsidiaries	(vi)	(342,405)	(115,860)
Interest expense paid to the ultimate holding company	(vii)	(93,852)	—
Entrusted management services income received from the ultimate holding company	(viii)	1,364	788
Proceeds received from disposal of a subsidiary to a fellow subsidiary	(ix)	—	7,773

Notes to Financial Statements (continued)

31 Related Party Transactions (continued)

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following related party transactions during the year: (continued)

Notes:

- (i) The rental was charged in accordance with the terms of agreement entered into between the Group and a fellow subsidiary.
At the end of the reporting period, the Group had total future minimum lease commitments to its fellow subsidiary of HK\$2,981,000 (2020: HK\$6,233,000) for a lease arrangement ending on 30 November 2022.
- (ii) The service fee was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.
- (iii) The consultancy fee was charged in accordance with the terms of an agreement entered into between the Group and a fellow subsidiary.
- (iv) The property management services fees were charged in accordance with the terms of agreements entered into between the Group and the fellow subsidiaries.
- (v) The property leasing services fees were charged in accordance with the terms of agreements entered into between the Group and the fellow subsidiaries.
- (vi) The interest expenses were charged at effective interest rate of 100% (2020: 100%) of lending rate announced by the People's Bank of China.
- (vii) The interest expense was charged at effective interest rate of 4.75% (2020: Nil).
- (viii) The entrusted management services income was charged in accordance with the terms of an agreement entered into between the Group and the ultimate holding company.
- (ix) The consideration of the disposal was determined based on the net assets value of the subsidiary that was valued by an external valuer in the PRC.
- (b) Compensation of key management personnel of the Group:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short term employee benefits	12,692	5,526
Post-employment benefits	1,634	1,115
Total compensation paid to key management personnel	14,326	6,641

Further details of the directors, emoluments are included in note 7 to the consolidated financial statements.

Notes to Financial Statements (continued)

31 Related Party Transactions (continued)

(c) Outstanding balance with related parties

	Notes	2021 HK\$'000	2020 HK\$'000
Amount due from the ultimate holding company	(i)	—	832
Amounts due from fellow subsidiaries	(i)	3,384	2,830
Amount due to an intermediate holding company	(i)	—	(258)
Amount due to the ultimate holding company	(i)	(21)	—
Amounts due to fellow subsidiaries	(i)	(801,370)	(4,663)
Amounts due to non-controlling interests	(i)	—	(156,067)
		(801,391)	(160,988)
Short-term loans from fellow subsidiaries	(ii)	(574,724)	(475,280)
Long-term loans from fellow subsidiaries	(ii)	(9,640,127)	(4,610,216)
Long-term loans from non-controlling interests	(iii)	(324,122)	—
Long-term loan from the ultimate holding company	(iv)	(2,130,640)	—
		(13,471,004)	(5,246,484)

Notes:

- (i) The amounts due from/(to) related parties are unsecured, interest-free and repayable on demand.
- (ii) The short-term loans from fellow subsidiaries are unsecured, interest bearing at interest rate with a range of 4.00% to 4.35% per annum and repayable within one year.
- The long-term loans from fellow subsidiaries are unsecured, interest bearing at interest rate with a range of 4.00% to 5.50% per annum and repayable within three years.
- (iii) Two long-term loans from non-controlling interests are unsecured, interest bearing at interest rate at 6.50% per annum and 4.75% per annum and repayable within three and five years, respectively.
- (iv) The long-term loan from the ultimate holding company is unsecured, interest bearing at interest rate at 4.75% per annum and repayable within three years (2020: Nil).

Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units, functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK\$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK\$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
2021			
If HK\$ weakens against RMB	3	255	255
If HK\$ strengthens against RMB	(3)	(255)	(255)
2020			
If HK\$ weakens against RMB	3	2,561	2,561
If HK\$ strengthens against RMB	(3)	(2,561)	(2,561)

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest-bearing assets mainly include deposits at bank. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.



Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(a) Market risk (continued)

(ii) *Interest rate risk (continued)*

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

At the end of the reporting periods, if interest rates had been increased or decreased by 50 (2020: 50) basis points and all other variables were held constant, the profit of the Group would have increased or decreased by approximately HK\$7,893,000 (2020: profit of the Group would have decreased or increased by approximately HK\$5,564,000) resulting from the change in interest income on bank deposits and the finance costs of bank and other borrowings after capitalisation.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which comprise cash and bank balances, restricted bank balances and other receivables, arises from default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments.

Other receivables

For the other receivables from third parties and related parties, the counterparties primarily have strong financial position and management considers the credit risk is not high. The Group maintains frequent communications with these counterparties and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward-looking information.

To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- (i) significant financial difficulty of the debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;

Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(b) Credit risk (continued)

Other receivables (continued)

- (iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from trade and other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual trade and other receivables in the portfolio;
- (vi) adverse changes in the payment status of debtors; and
- (vii) national or local economic conditions that correlate with defaults on trade and other receivables.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rate, the Group considers historical loss rates for each category of debtors and adjusts for forward looking macroeconomic data.

As at 31 December 2021 and 2020, management consider other receivables and receivables due from related companies as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group assessed that the expected credit losses for these receivables are immaterial.

Restricted bank balances and cash and bank balances

The identified impairment loss of restricted bank balances and cash and bank balances was immaterial.



Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(b) Credit risk (continued)

Restricted bank balances and cash and bank balances (continued)

The Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks. Under such circumstances, the Group is entitled to take over the legal titles and possession of the related properties and to sell the properties to recover any amounts paid by the Group to the banks. Therefore, the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 31 December 2021 and 2020, no provision on the guarantees to banks had been made in the consolidated financial statements.

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. other receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility.

Management of the Group has carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors of the Company have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the forecast period. In preparing the cash flow forecast, the directors of the Company have considered historical cash requirements of the Group as well as other key factors, including the availability of loans financing which may impact the operations of the Group prior to the end of the next twelve months after the end of the reporting period. The directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(c) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
2021					
Trade and bills payables	—	4,208	309,910	6,312	320,430
Financial liabilities included in other payables, accruals and provisions	10,531,661	420,034	2,617	9,148	10,963,460
Bank and other borrowings	—	1,283,825	502,271	5,884,194	7,670,290
Loans from fellow subsidiaries	—	7,026	618,473	11,032,901	11,658,400
Loan from the ultimate holding company	—	—	—	2,438,473	2,438,473
Loans from non-controlling interests	—	—	—	380,450	380,450
Financial guarantee	799,803	—	—	—	799,803
Lease liabilities	—	1,298	3,290	1,068	5,656
	11,331,464	1,716,391	1,436,561	19,752,546	34,236,962
2020					
Trade payables	—	31,754	66,089	3,370	101,213
Financial liabilities included in other payables, accruals and provisions	953,575	59,725	53,324	—	1,066,624
Bank and other borrowings	—	34,024	828,217	2,962,001	3,824,242
Loans from a fellow subsidiary	—	—	516,686	5,181,525	5,698,211
Financial guarantee	1,087,082	—	—	—	1,087,082
Lease liabilities	—	2,581	4,322	4,306	11,209
	2,040,657	128,084	1,468,638	8,151,202	11,788,581

Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(d) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

(i) Financial assets

	Financial assets at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Financial assets included in prepayments, land and other deposits and other receivables	8,872	16,146
Restricted bank balances	444,029	96,681
Cash and cash equivalents	2,588,393	2,647,323
	3,041,294	2,760,150

(ii) Financial liabilities

	Financial liabilities at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Bank and other borrowings	6,993,956	2,676,271
Loans from fellow subsidiaries	10,214,851	5,085,496
Lease liabilities	5,474	10,751
Trade and bills payables	320,430	101,213
Financial liabilities included in other payables, accruals and provisions	9,137,160	1,066,624
	26,671,871	8,940,355

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group has no financial assets and liabilities that are measured at fair value at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial asset (2020: Nil).

Notes to Financial Statements (continued)

32 Financial Risk Management and Financial Instruments (continued)

(e) Fair value estimation (continued)

The Group's valuation processes

Management has assessed that the fair values of cash and bank balances, restricted bank balances, financial assets included in deposits and other receivables, trade and bills payables, financial liabilities included in other payables, accruals and provisions approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital by maintaining an appropriate gearing ratio based on its business development strategy, prevailing market environment and economic condition. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt, which includes current and non-current borrowings, and lease liabilities, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank and other borrowings (Note 21)	6,993,956	2,676,271
Loans from fellow subsidiaries (Note 31(c))	10,214,851	5,085,496
Loans from non-controlling interests (Note 31(c))	324,122	—
Loan from the ultimate holding company (Note 31(c))	2,130,640	—
Lease liabilities (Note 12)	5,474	10,751
Less: Cash and cash equivalents (Note 18)	(2,588,393)	(2,647,323)
Net debt	17,080,650	5,125,195
Total equity	9,318,391	6,955,311
Gearing ratio	183.30%	73.69%

Notes to Financial Statements (continued)

33 Balance Sheet of the Company

Information about the balance sheet of the Company at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
Assets		
Non-current assets		
Property, plant and equipment	431	388
Right-of-use assets	2,773	5,799
Investments in subsidiaries	473,910	469,577
Amounts due from subsidiaries	4,974,289	3,987,496
Total non-current assets	5,451,403	4,463,260
Current assets		
Prepayments, deposits and other receivables	43,996	134,899
Restricted bank balances	188	182
Cash and bank balances	27,853	5,889
Total current assets	72,037	140,970
Total assets	5,523,440	4,604,230
Liabilities		
Current liabilities		
Bank borrowings	(1,000,000)	—
Amounts due to subsidiaries	(21)	(64,677)
Other payables, accruals and provision	(23,195)	(20,261)
Lease liabilities	(2,911)	(3,035)
Total current liabilities	(1,026,127)	(87,973)
Net current (liabilities)/assets	(954,090)	52,997
Total assets less current liabilities	4,497,313	4,516,257
Non-current liability		
Lease liabilities	—	(2,911)
Total liabilities	(1,026,127)	(90,884)
Net assets	4,497,313	4,513,346
Equity		
Share capital	171,154	171,154
Reserves (Note)	4,326,159	4,342,192
Total equity	4,497,313	4,513,346

Notes to Financial Statements (continued)

33 Balance Sheet of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	1,688,606	140,234	2,505,337	4,334,177
Profit for the year and total comprehensive income for the year	—	—	8,015	8,015
At 31 December 2020 and 1 January 2021	1,688,606	140,234	2,513,352	4,342,192
Profit for the year and total comprehensive loss for the year	—	—	(16,033)	(16,033)
At 31 December 2021	1,688,606	140,234	2,497,319	4,326,159

34 Information about Principal Subsidiaries

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣州市番禺粵海房地產有限公司	PRC/Mainland China	RMB187,300,000	—	80	Property development
粵海科技(深圳)有限公司 #	PRC/Mainland China	US\$50,000,000	—	100	Property investment
廣東粵海置地集團有限公司 #	PRC/Mainland China	RMB4,000,000,000	—	100	Property development and investment
廣東粵海房地產開發有限公司 *	PRC/Mainland China	RMB308,000,000	—	100	Property development and investment
江門市粵海置地房地產投資有限公司	PRC/Mainland China	RMB530,000,000	—	100	Property development
珠海粵海置地有限公司 *	PRC/Mainland China	RMB930,000,000	—	100	Property development
江門粵海置地有限公司	PRC/Mainland China	RMB1,260,000,000	—	51	Property development
佛山粵海置地有限公司	PRC/Mainland China	RMB1,000,000,000	—	100	Property development
中山粵海置地有限公司	PRC/Mainland China	RMB1,470,000,000	—	97.6	Property development
惠陽粵海房產發展有限公司	PRC/Mainland China	RMB132,010,581	—	100	Property development and investment
廣東粵海置地發展有限公司	PRC/Mainland China	RMB4,600,000,000	—	100	Property development

The subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

* The shares of these subsidiaries were pledged to secure certain bank borrowings (Note 21).

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

35 Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

Particulars of Major Properties

31 December 2021

Investment Properties

Location	Use	Category of lease	Attributable interest of the Group
Commercial portion of Guangzhou Laurel House, Nos. 43 - 79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong, PRC	Commercial	Medium	100%
Biao Ma Ling, Buji Town, Longgang District, Shenzhen City, Guangdong, PRC	Commercial	Medium	100%
No. 5 Da Feng Industrial Area, Shiyan Town, Baoan District, Shenzhen City, Guangdong, PRC	Commercial	Medium	100%
A ring-pull can factory, 3008 Taibai Road, Luohu District, Shenzhen City, Guangdong, PRC	Commercial	Medium	100%
A clubhouse and a kindergarten, Huiyang Lijiang Garden, Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong, PRC	Commercial	Medium	100%

Particulars of Major Properties (continued)

31 December 2021

Properties Under Development and Investment Properties Under Development

Location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Attributable interest of the Group
Northern Land and Southern Land of the Shenzhen GDH City 3008 Taibai Road, Luohu District, Shenzhen City, Guangdong, PRC	Commercial/ office/mall	49,846	346,051	100%
The Chenyuan Road Project West of Fengxiang Road, Southeast of the intersection of Chenyuan Road and Longteng Road, Pengjiang District, Jiangmen City, Guangdong, PRC	Residential/ Commercial service	59,705	164,216	100%
The Zhuhai Jinwan Project West of Jinhui Road and North of Jinhe East Road, Jinwan District, Zhuhai City, Guangdong, PRC	Residential/ Commercial	66,090	166,692	100%
The Foshan Laurel House Project West of Wenhua Road, South of Liming Second Road, Chancheng District, Foshan City, Guangdong, PRC	Residential/ Commercial	43,284	151,493	100%
The Zhongshan GDH City Project Tsuihang New District, Zhongshan City, Guangdong, PRC	Residential	98,811	247,028	97.64%
The Jiangmen Ganhua Project East of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong, PRC	Residential/ Commercial	174,538	396,600	51%
The Huizhou Dayawan Project Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong, PRC	Residential/ Commercial	30,698	92,094	100%
The Guangzhou Yungang City Project Baiyun New Town, Baiyun District, Guangzhou City, Guangdong, PRC	Residential/ Commercial	114,463	506,000	100%

Particulars of Major Properties (continued)

31 December 2021

Completed Properties Held For Sale

Location	Use	Site area (sq. m.)	Gross floor area (sq. m.)	Attributable interest of the Group
Northwestern Land of the Shenzhen GDH City 3008 Taibai Road, Luohu District, Shenzhen City, Guangdong, PRC	Business apartment/ Commercial	16,680	114,654	100%
Guangzhou Laurel House Nos. 43 - 79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong, PRC	Residential/ Car-parking spaces	12,168	119,267*	100%
Ruyingju South of Sanzhi Xiangshui Road, Dongxiang Village, Dashi Town, Panyu District, Guangzhou City, Guangdong, PRC	Residential/ Car-parking spaces	38,771	126,182	80%
Baohuaxuan Nos. 15 - 21 Baohua Land South, Wenchang South Road, Liwan District, Guangzhou City, Guangdong, PRC	Residential	1,374	5,241	100%

* Represent the gross floor area of the entire project, including the commercial portion.



粤海置地控股有限公司
GUANGDONG LAND HOLDINGS LIMITED