

大悅城控股
GRANDJOY



中糧
COFCO
自然之源 重塑你我

2022
Annual Report

JOY CITY PROPERTY LIMITED

大悅城地產有限公司

Incorporated in Bermuda with limited liability

Stock Code : 207



Joy Up

Our Life, Enjoy the World
大悅中國 · 賦美生活



Our *Missions*

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

Our *Visions*

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



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Company Profile

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



COFCO Corporation, the ultimate controlling shareholder of Joy City Property Limited, is a large state-owned enterprise directly under the administration of the Central Government of China, and has been selected as one of the Fortune Global 500 for 28 consecutive years. COFCO Corporation is one of the first batch of 16 enterprises under the direct management of the Central Government with the approval of SASAC to engage in the development, investment and management of real estate projects. Joy City is the flagship brand of COFCO Corporation in the commercial property sector.

The Group mainly engages in the development, operation and management of urban complexes under the brand of Joy City. It also engages in the development, sales, investment and management of other property projects. The Group has four business segments, namely investment properties, property development, hotel operations and output management and other services. As of the end of 2022, the Group had expanded into the core cities and their surrounding areas in five major city groups including Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing and middle Yangtze River. Meanwhile, the Group successfully

established its presence in mainland China and Hong Kong. It possesses or manages 27 Joy City projects and other commercial projects in 24 cities including Beijing, Shanghai, Guangzhou, Tianjin, Shenyang, Yantai, Jinan, Hangzhou, Nanjing, Chengdu, Xi'an, Chongqing, Qingdao, Wuhan, Kunming, Sanya, Changsha, Suzhou, Xiamen, Nanchang, Wuxi, Changzhou, Anshan and Shaoxing. In addition, it holds premium investment properties at prime locations in first-tier cities, including Beijing COFCO Plaza, Hong Kong COFCO Tower and Beijing COFCO • Landmark Tower, as well as popular properties held for sale, namely Shanghai Joy Center, Shanghai Rui Hong, Nanjing In Joy, and a number of international top-class luxury hotels in operation, including The St. Regis Sanya Yalong Bay Resort, MGM Grand Sanya and Waldorf Astoria Beijing. The Group's property projects are strategically located in central districts of first- or second-tier cities with superior quality as well as good investment value and appreciation potentials.

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



Major Business Structure





Property Development:

- 1 Beijing Chenyue Intl
- 2 Beijing Huayuan Center
- 3 Shanghai Ruihong
- 4 Shanghai Jing'an Joy City (for sale)
- 5 Shenyang Joy City E Cube
- 6 Jinan COFCO Shine City
- 7 Hangzhou Joy City (for sale)
- 8 Hangzhou OPUS Mansion
- 9 Chengdu Tianfu Shine City
- 10 Chengdu Xiangyun Yuefu
- 11 Chengdu COFCO Joy Mansion One
- 12 Chengdu Wine Town South Project
- 13 Xi'an OPUS Yangjing
- 14 Chongqing Joy City (for sale)
- 15 Chongqing One Majesty
- 16 Qingdao Joy Park
- 17 Qingdao Jimo Chuangzhi Splendid City
- 18 Qingdao Joy Bay
- 19 Wuhan Optics Valley Joy City (for sale)
- 20 Kunming Longshengfu
- 21 Sanya Joy Center
- 22 Sanya Joy Global Center
- 23 Suzhou COFCO Joy Mansion
- 24 Suzhou Joy Shishan One
- 25 Xiamen Yunxi One
- 26 Nanchang Joy City (for sale)
- 27 Nanjing Joy City (for sale)
- 28 Nanjing Joy Court
- 29 Changzhou Flower Jiangnan



Hotel Operations:

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



Investment Properties:

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



Output Management and Related Services:

- 1 Joy City Commercial Management
- 2 Beijing Jingxi Joy City
- 3 Beijing Daxing Joy Breeze
- 4 Beijing LG Twin Towers
- 5 Tianjin Heping Joy City
- 6 Tianjin Xiqing Joy Life
- 7 Shenyang Financial Center Joy City
- 8 Kunming Joy City
- 9 Shanghai Parkside Joy City
- 10 Xi'an Joy City
- 11 Changsha North Star Delta Joy City
- 12 Wuxi Jiangnan Joy City
- 13 Shaoxing IFC Joy City
- 14 Anshan Joy City
- 15 Chengdu Jinniu Joy City
- 16 Guangzhou Huangpu Joy Life

Major Events and Awards





Major Events



On 20 April, the Group officially signed an asset-light output management agreement with Huangpu Culture Group for the Greenland Central Plaza project in Huangpu District, Guangzhou, marking the Group's official entry into Guangzhou.



On 24 May, the "Youth Ideal Life Festival" program of Beijing Chaoyang Joy City won the ICSC 2022 MAXI Awards – Gold in Experiential Category, and the "Super Lucky Week" event won the ICSC 2022 MAXI Awards – Silver in Innovation Category, which demonstrated the international recognition of our brand influence.



On 30 May, the Group entered into an asset-light output management agreement with Chengdu OCT in relation to the Chengdu Jinniu Joy City project, signifying the third Joy City project in Chengdu.



On 12 July, the Group's parent company was listed in the top 300 of Fortune China 500 for the third consecutive year, ranking 295th.



On 22 July, Beijing Chaoyang Joy City was successfully included in the second list of national night culture and tourism consumption clusters announced by the Ministry of Culture and Tourism.



On 2 September, the Group and Shenyang Huarui Century Investment Development Co., Ltd. officially entered into an asset-light output management agreement for the Shenyang FTC Finance Centre Shopping Mall project, signifying the second Joy City project in Shenyang.



On 17 October, Bapton Company Limited, a subsidiary of the Company, entered into a financing agreement with a club consisting of several banks to apply for a club loan of US\$423 million in total.



On 27 October, the Condé Nast Traveler Gold List 2022 was released and Waldorf Astoria Beijing was honored the "Condé Nast Traveler Gold List – China Top 10 Hotel".



On 17 November, the Group garnered eight industry awards under the "Mall China Golden Mall 2022 Professional Competitiveness List". In particular, the "Joy Lit Season" event was granted the Marketing Plan Excellence Award.



On 1 December, the Group was awarded the "Outstanding Award for Green and Sustainable Loan Issuer (China Commercial Real Estate Industry) – Visionary Green Loan Framework" and "Pioneering Organisation in ESG Disclosure Enhancement" in the "Hong Kong Green and Sustainable Finance Awards 2022" organised by the Hong Kong Quality Assurance Agency. Joy City Property is the only commercial real estate company in the PRC receiving this honor.



As 2022 marks the 15th anniversary of the Joy City brand, the Group organised a series of nationwide brand culture activities under the theme of "Share Joy Together in the 15th Anniversary" since 3 December to convey the values and concepts of the Joy City brand. It planned and unveiled a series of events such as the creative metaverse scenario H5, the anniversary celebrations by tens of thousands of people and public welfare program, and Joy Joy So Red Festival activities.

Financial Highlights

For the year ended 31 December

Item	2022 RMB'000	2021 RMB'000	Change (%)
Revenue	20,831,357	12,313,297	69.2
Including: Rental income from investment properties and related services	3,492,923	4,055,875	-13.9
Sales of properties held for sale	16,483,682	7,149,317	130.6
Hotel operations	553,699	766,392	-27.8
Output management project	167,816	179,961	-6.7
Other service income	133,237	161,752	-17.6
Gross profit	6,406,358	4,713,588	35.9
Profit attributable to owners of the Company	530,773	591,666	-10.3
Core net profit attributable to owners of the Company (Note 1)	822,712	552,447	48.9
Basic earnings per share (RMB cent)	3.5	3.9	-10.3

31 December

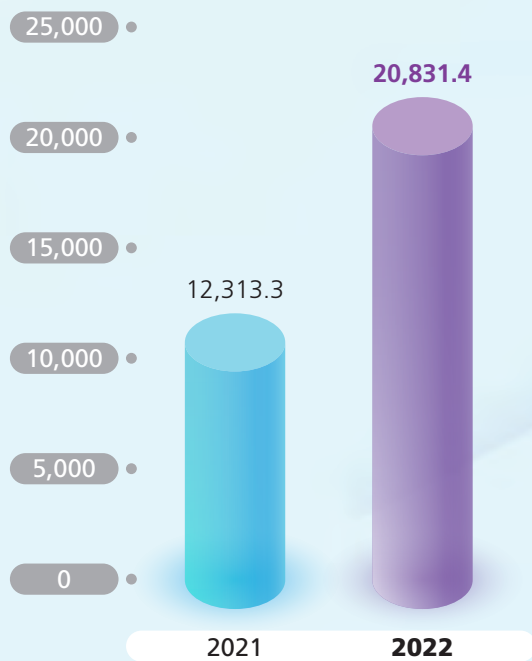
Item	2022 RMB'000	31 December 2021 RMB'000	Change (%)
Total assets	140,003,492	131,020,391	6.9
Equity attributable to owners of the Company	29,924,332	29,858,111	0.2
Net debt to total equity ratio (%) (Note 2)	49.5	49.1	0.4
			(Note 3)
Weighted average finance costs	3.97%	4.13%	-0.16
			(Note 3)

Notes:

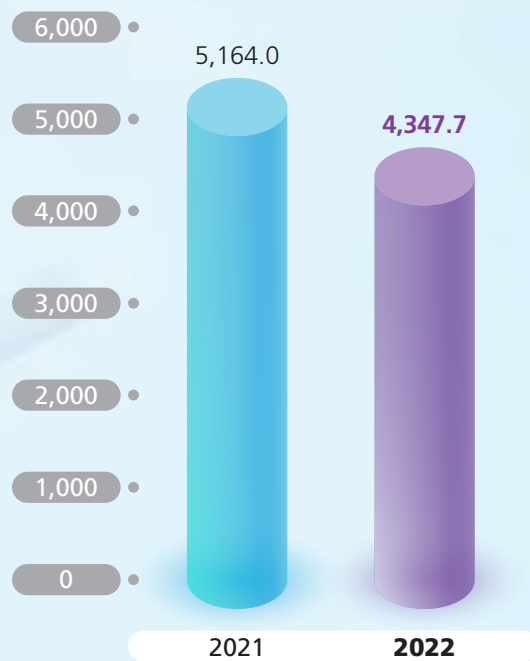
- Core net profit attributable to owners of the Company = profit attributable to owners of the Company – foreign exchange gain/loss – fair value losses/gains after tax of investment property attributable to owners of the Company
- Net debt to total equity ratio = (bank borrowings + borrowings from fellow subsidiaries, associates and joint ventures as well as loans from non-controlling interests and borrowings from third parties + corporate bonds – cash and bank balances – restricted bank deposits – pledged deposits)/total equity
- Change in percentage

Revenue

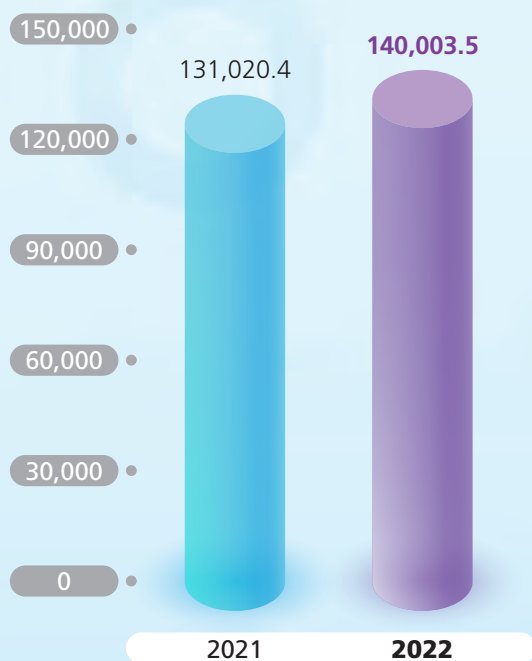
RMB: million

**Recurring revenue (Note 4)**

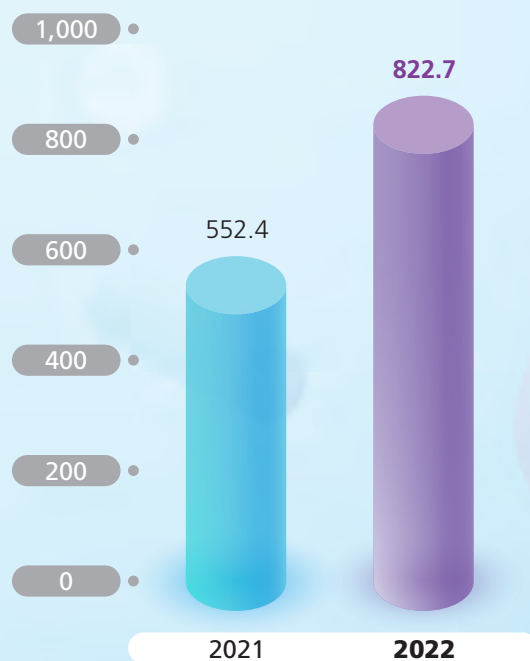
RMB: million

**Total assets**

RMB: million

**Core net profit attributable to owners of the Company**

RMB: million



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

Chairman's Statement



Profit attributable to owners of the Company for the year was RMB530.8 million, with basic earnings per share amounting to RMB0.035. The Board has recommended the payment of a final dividend of HK1.2 cents per share, which is subject to approval by shareholders at the forthcoming annual general meeting of the Company.

Dear Shareholders,

In 2022, In response to the complicated environment at home and abroad, China stepped up its macro-control efforts by virtue of fiscal policy, monetary policy, industrial policy and science and technology policy to cope with the impact of unforeseen circumstances, and achieved thus an economic growth of 3.0% for the year despite all the pressure. In terms of consumption, the total retail sales of consumer goods in China was approximately RMB43.97 trillion in 2022, representing a year-on-year decrease of 0.2%. The real estate sector struggled under pressure, with home buyers' expectations weakening and business confidence declining. As a result, in 2022, the investment in real estate development nationwide was approximately RMB13.29 trillion representing a year-on-year decrease of 10.0%; and the sales of commodity housing nationwide amounted to approximately RMB13.33 trillion, representing a year-on-year decrease of 26.7%.

Against this background, the Group followed a prudent business strategy and adhered to the "dual-wheel and dual-core" development model, making the best of its operational and management experience to ensure stable performance.

Investment Properties – The Group's shopping malls strengthened their operations, pursued innovative development and leveraged the advantages of commercial properties by upgrading mall positioning, tapping into first-store economy, reconstructing consumption scenarios and creating IP matrixes to enhance business strength, which has achieved good results. During the year, the Group ensured the successful opening of Wuhan Joy City, Qingdao Jimo Joy Breeze, Shaoxing IFC Joy City and Shenyang Joy City E Cube, which has further enhanced its brand influence. In terms of office building business, the Group strengthened operation, created a good business atmosphere by enriching office life inside its buildings and enhancing the quality of property services. Thanks to these efforts, the customer satisfaction of Beijing COFCO Plaza and Beijing COFCO • Landmark Tower reached 93% and 95% respectively. During the year, the Group's shopping malls generated revenue of approximately RMB2,760 million and recorded sales of approximately RMB24,800 million.



Property Development – The Group has always pursued robust marketing campaigns. On the one hand, it opened up online sales channels through online sales offices from multiple angles; on the other hand, it took advantage of “hot topics” to launch “Joy Fans Festival” (大悦寵粉節) marketing activities. In addition, the Group also launched special campaigns, such as the “Exemplary Projects” and the upgrade and renewal of the Joy City residential product line, all of which achieved satisfactory marketing results. During the year, the Group recorded approximately RMB28,600 million in contracted sales of property development.

Hotel Operations – The Group focused on operational innovation and leveraged resources inside and outside the industry by teaming up with a number of brands such as Corona, Mercedes-Benz, Jimmy Choo and La Mer to attract customers through crossover marketing. During the year, the Group’s hotels notched a number of awards and gained recognition in the industry and among customers.

Output Management and Other Services – The Group made full use of the “Joy City” brand name. During the year, the Group provided management services for, inter alia, Tianjin Heping Joy City, Kunming Joy City, Shanghai Parkside Joy City and Xi’an Joy City, and newly secured three output management projects, namely Guangzhou Huangpu Joy Life, Chengdu Jinniu Joy City and Shenyang Financial Center Joy City, further enhancing its brand influence.

Land Bank – the Group focused on developing its presence in the core areas of first-tier and strong second-tier cities, and acquired premium projects mainly through the open market and mergers and acquisitions. During the year, the Group acquired approximately 780,000 square meters of land bank in total in Beijing, Hangzhou, Suzhou, Nanjing, Chongqing and Xi’an.

In terms of financial capital, the Group always maintains a prudent financial policy. The Company continuously optimized its financing structure and reduced its borrowing cost by leveraging on its access to multiple financing platforms at home and abroad and a good relationship with banks. As a result, its average borrowing costs for the year stood at around 3.97%, representing a year-on-year decrease of 0.16 percentage point, which remained at a relatively low level in the industry.

The Group attaches great importance to and actively fulfills its social responsibility as a central state-owned enterprise. During the year, the Group worked with small and medium-sized business owners to tide over the difficulties together and provided rent reductions to over 5,000 tenants in total, which helped maintain good relations with the tenants and contributed to the long-term development of the Group. The Group has also put into practice the development vision of “Green Joy City” and established an integrated energy-saving management system which is being upgraded on a regular basis. In particular, Chengdu Joy City has reduced its energy consumption by over 20% thanks to the system, saving energy costs of approximately RMB5 million per year compared with comparable projects.

Looking forward to 2023, China will continue to follow the general principle of “prioritizing stability while pursuing progress” in its economic development, and will see steady recovery with its macro policies taking effect. At the end of 2022, the Chinese government has repeatedly released the policy signals of “stabilizing the real estate sector”, and it is expected that the real estate sector will revive in 2023. Besides, as China sees expanding domestic demand as one of its key tasks in promoting economic development in 2023, it is expected that with the introduction of policies to spur consumption, the pent-up consumption, especially consumption involving people contact and gatherings as well as service-based consumption, is expected to gradually recover and expand, and shopping malls, hotels and other brick-and-mortar businesses will benefit therefrom. In view of the above, the Group will make full use of its more than 10 years of experience in commercial property operation and management, continue to innovate and strengthen its operations, enhance its brand influence, and take advantage of market recovery to drive steady growth in performance, creating greater value for the country, society, customers and shareholders.



Moving
forward with
innovation,
achieving
resilient growth
amid market
woes

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Occasions

Introduction

Established itself with the launch of Beijing Xidan Joy City, the first project of the brand in 2007, Joy City celebrated its 15th anniversary in 2022 and further unfolded its grand blueprint for a better life in urban areas. As the trendsetter and pioneer in the shopping mall sector of China, the Group further deepened its presence, innovated its operations and developed resiliently in the year, with a view to offering chic shopping experiences and creating sustainable value for urban development.

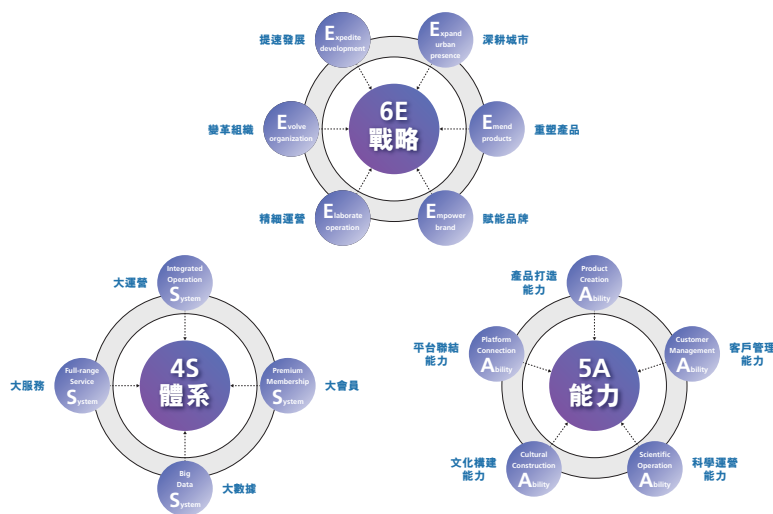


I.

Being Different: “645” Strategy Facilitated High-Quality Development

In the first year of the “14th Five-Year Plan”, the Group systematically reviewed its development plan for commercial property, and with its fresh vitality, proved to the market that the newly upgraded “645” commercial strategy and brand concept is the optimal solution to ensure resilient development, demonstrating Group’s efficient strategic execution and brand strength and creating favorable conditions for the new round of development.

First of all, the Group creatively drew up a 6E strategy blueprint for commercial property development from six dimensions of expanding urban presence, emending products, empowering brand, elaborating operation, evolving organization and expediting development. Meanwhile, the Group focused on its brand vision of “being a creator of good urban life”, fulfilled its brand mission of “leading lifestyle trends and creating sustainable value in cities”, and took root in its brand values of “creating joy and happiness to people nearby to attract guests from afar”, thereby further enhancing its brand influence.



Joy City's “645” Strategy for Commercial Property

In addition, in order to enhance our core competitiveness in the new round of development, the Group has put forward the “4S systems” - “integrated operation”, “full-range service”, “premium membership” and “big data” systems - as a new business concept for commercial property. It is complemented by the 5A core competencies that the Group has been developed over more than 10 years - “product creation ability” to lay the foundation of commercial operation, “customer management ability” to ensure sustainable profitability, “scientific operation ability” to consolidate stable income and high returns, “cultural construction ability” to benefit commercial operation and “platform connection ability” to promote commercial development, providing a solid boost to the Group’s lean growth.

II.

Ecological Innovation: Upgrading Malls To Boost Footfalls

During the year, relying on the core strengths of refined operations, the Group's commercial property division upgraded mall positioning, tapped into first-store economy and innovated IP matrix to effectively enhance product competitiveness and brand power.

Beijing Chaoyang Joy City – an ideal urban lifestyle destination



1. Positioning Upgrades



Shenyang Joy City – an ideal trendy place for young people

Firstly, amid a thriving commercial market and growing consumer consciousness, the Group's commercial projects adhered to the original brand vision of "being young, fashionable, trendy and classy" and enhanced their appeal through upgrading positioning to meet the changing needs of consumers in pursuit of a better life. For instance, to align itself with the policy direction of building Beijing into an international consumption center city, Beijing Chaoyang Joy City has evolved from a cultural landmark for young people to an "ideal urban lifestyle destination" integrating elements of culture, commerce, sports, tourism and science, and with the four new labels of culture, lifestyle, fashion and Macro-vacation, it attracts diverse consumer groups with strong spending power in Beijing, Tianjin and Hebei. Tianjin Joy City, with a view to promoting urban development, exploring local culture and serving local citizens, repositioned itself as an "urban spiritual territory, trendy home turf (城市精神領地, 潮流態度主場)" with the statement of "Trendy or not, It's Up to You (無畏敢為, 津潮由你)", which exhibits the century-old spirit and values of the city and creates a trendy cultural ecosystem for young people from niche circles to the general public. Since the opening of its Hub E, Shenyang Joy City, the "five-in-one" commercial complex, has positioned itself as an ideal trendy place for young people (青年潮趣理想地) to create a shopping and experience center with unique commercial charm in Shenyang and even the northeast region of China.

2. Further Tapping into “First-Store Economy”



teamLab Massless at Chaoyang Joy City, Beijing

Secondly, with a distinctive brand label, the Group's commercial property division continued to attract premium brand owners and reconstruct consumption scenarios to capture quality customer groups and strengthen competition barriers. During the year, the Group's commercial projects in operation witnessed the openings of nearly 400 "first stores" of various brands in China. In particular, Beijing Chaoyang Joy City added more than 100 new brands to its lineup, including the first-ever teamLab Massless museum, the first-ever Smiley Tea house, the first stores of MOUSSY STUDIOWEAR and NERDY in China, the first stores of Chums (a U.S.-based outdoor brand) and Nobaday (a snow sports/surfskate brand) in Beijing; Tianjin Joy City welcomed the first store of Bandai Gouda Base in North China, as well as the city's first stores of Peet's Coffee, % Arabica, CHUU, Banu (巴奴), Songhelou - Su-style Noodle Soup (松鹤楼·苏式汤麵), Moji (墨纪) and other brands; and Beijing Xidan Joy City welcomed the first stores of Momo Dim Sum Bureau, TONG FAT TOU and KUMO KUMO in Beijing. All these demonstrated the strong reputation and resources of the Group's commercial projects and injected new vitality into the cities and the regions.

3. IP Innovation



Hot Spot of “Joy Lit Season”

In addition, the Group’s commercial property division kept on boosting its brand influence, and created a large IP matrix with its **four original IP matrix** of “Hi, It’s New Shopping Festival”, “Joy Lit Season”, “Joy City Shopping Festival” and “Joy Joy So Red Festival” as the core and complemented by licensed IP exhibitions and localized original IPs. Thanks to those efforts, the Group has been able to maintain a leading edge in terms of brand influence in commercial property sector.

In the summer of 2022, based on the national policy of “promoting economy, boosting consumption and stabilising growth”, the Group’s commercial property division initiated the “**Joy Lit Season**”, a marketing-by-all, benefits-for-all and participating-by-all event for brick-and-mortar businesses, which integrated the full ecology comprising culture, commerce, industry, technology and tourism. It boasted five major characteristics of “breakthrough experience, cross-ecosystem, dual-line interaction, digital and intelligent empowerment, and cultural promotion”, and formed three major channels of “Joy Coupon”, “Joy Live” and “Joy Market”. During the event from 9 July to 28 August, the Group recorded sales of approximately RMB4,340 million, total footfall of approximately 36,256,000 and nearly 440,000 new members nationwide, representing a year-on-year increase of 28%, 21% and 20%, respectively. By promoting the resumption of operation of brick-and-mortar businesses and markets in innovative ways, the Group achieved comprehensive improvement in corporate reputation, brand influence and operating performance.



Offline Experience of “Joy City Shopping Festival”

During 10 to 12 September 2022, the Group’s 10th “Joy City Shopping Festival” event was held as scheduled under the theme of “ Vigorous Trend, Joy China”, following China’s efforts to strengthen itself and enhance confidence in its culture. Amid the Mid-Autumn Festival atmosphere, the Group launched a national-level original IP activity with connotation of China cool culture. During the event, the Group recorded sales of approximately RMB500 million, total footfall of approximately 2.7 million, and nearly 54,000 new members nationwide. In particular, Beijing Chaoyang Joy City recorded sales of nearly RMB100 million while the sales of both Tianjin Joy City and Beijing Xidan Joy City exceeded RMB60 million.



A Glimpse of “Joy Joy So Red Festival”

Celebrating the 15th anniversary of the “Joy City” brand, the nationwide New Year celebration event **“Joy Joy So Red Festival”** was launched again at the end of 2022, in response to consumers’ expectations for a better life in the new year. It highlighted three major sectors, namely “Joy Exhibition, Joy Coupon, and Joy Fans Festival”, and continued to develop Joy shopping mall and Joy Live, leading consumers to spend a trendy and beautiful Chinese New Year. During the New Year holidays, the Group recorded sales of nearly RMB500 million and total footfall of approximately 2.7 million nationwide, and helped more than 100 brands become best-sellers and 20 stores achieve sales of over 1 million, achieving consumption recovery and explosive growth in results.

III.

Growing With Cities: Bucked The Trend And Expanded By Combining Asset-Light And Asset-Heavy Operations



China's urban development has entered a new stage as the government puts equal emphasis on upgrading and transformation of the existing assets or projects as well as making structural adjustment through incremental investments. Accordingly, urban renewal carries more expectations of the people for a better life. As a 15-year benchmark for youth-oriented operation and commercial operation in cities, the Group's commercial property division continued to grow with cities, influencing and changing the urban lifestyle with a variety of heartfelt works.

Currently, the business strategy of "combining asset-light and asset-heavy operations" has become a "new weapon" for the Group's commercial property division to achieve sustainable value management in cities. By focusing on key regions, expanding presence in core cities and adhering to the strategic orientation of "combining asset-light and asset-heavy operations", the Group's commercial property division has been accelerating its pace of scale expansion. During the year, the projects including Wuhan Joy City and Shaoxing IFC Joy City commenced operation.



Wuhan Joy City

On 15 January 2022, Wuhan Joy City, the Group's first commercial project in Wuhan and the first large-scale commercial complex in the east of Optics Valley, made its debut in a vibrant and enthusiastic atmosphere, recording sales of over RMB10 million and total footfall of over 150,000, and helping 33 brands become top-sellers on the first day of opening. With its insight into the new youth culture, the Group created the "21loading" label, the first pan-entertainment label for youth in shopping mall in China, and launched original IP activities such as "Joy Youth Festival", and the first show of the "Pop Mart IP Family Exhibition" in Wuhan, the first leg of the "X GAMES CHINA 2022" Skateboarding Ramp Tour-Wuhan Stop, the first exhibition of LINE FRIENDS World Tour-Wuhan and other special events. By virtue of the above, Wuhan Joy City has become the "New space for the young in Optics Valley", which contributed to improve the Group's business pattern in the city and stimulated the consumption vitality in the market.



Chengdu Jinniu Joy City



Guangzhou Huangpu Joy Life



Shenyang Financial Center Joy City

Despite the impact of the COVID-19 pandemic, the Group's commercial property division gave a boost to the recovery of the commercial property market leveraging on its strong operation capacity and management strength, which has also become the driving force for the explosive growth of asset-light output management projects. During the year, the Group's commercial property division newly secured output management projects including **Guangzhou Huangpu Joy Life, Chengdu Jinniu Joy City**, Shenyang Financial Center Joy City. In the future, the Group will continue to focus on Yangtze River Delta, Greater Bay Area, Beijing-Tianjin, Chengdu-Chongqing and other national-level city clusters, continue to expand presence in areas with advantages, and build commercial benchmarks in hotspot areas. Through the output of commercial management capabilities, the Group further transformed from a "developer and operator" to an "asset manager", thereby expanding its brand influence.

Conclusion

During the year, the Group's commercial property division adhered to its operating advantages and continued to sharpen its core cutting edges in multiple dimensions such as strategy, organisation and brand. Despite the disruptions caused by the Covid-19 pandemic, the Group **registered sales of RMB24.8 billion, total footfall of 180 million, and 2.53 million new members**. In the future, the Group's commercial property division will continue to pursue the brand vision of "the creator of better urban life", shoulder its social responsibilities as an enterprise directly under the central government, arouse vitality of the commercial property sectors in cities, and drive the high-quality development of the real economy.

Management Discussion and Analysis

Market Review

In 2022, China faced unprecedented difficulties and challenges in its economic and social development. In response to the complicated international environment, the central and local governments stuck to the general principle of seeking progress in a stable manner, tightened macro regulation and control and proactively coped with unforeseen circumstances, thus steadily improving the quality of economic development and maintaining the general stability of the economy and society. Despite economic growth under pressure, China's GDP hit approximately RMB121 trillion in 2022, up 3.0% year on year. The year of 2022 saw a contracted consumption, with total retail sales of consumer goods down 0.2% year on year to approximately RMB43.97 trillion.

In terms of the real estate sector, the market remained under downward pressure from 2021, with housing supply and prices dragged down by economic slowdown and weakened demand. During the year, the investment in real estate development nationwide amounted to approximately RMB13.29 trillion, down 10.0% year on year; and the sales of commercial housing amounted to approximately RMB13.33 trillion, down 26.7% year on year. Property prices shifted from uptrend to decline, with the price index of newly built commercial housing in 70 large and medium-sized cities nationwide falling by 2.3% year on year in December 2022.

In terms of commercial real estate, China's economy was under mounting pressure and offline consumption involving people contact and gathering was sluggish in some regions, posing challenges to brick-and-mortar businesses. In 2022, approximately 359 commercial projects (each with a commercial GFA of 20,000 sq.m. or above) were put into operation nationwide, down approximately 30% year on year; and the aggregate GFA of new commercial buildings was approximately 32,450,000 sq.m. Despite the foregoing, the fundamentals of China's consumer markets remain robust, and the people's desire for a better life and the trend of consumption upgrading remain unchanged. With the growing Gen Z consumer groups and changes in residents' consumption structure, the spending behavior and pattern of major consumer groups have undergone some changes, new consumption models such as "camping economy", "pet economy" and "nighttime economy" are emerging, and shopping centers are gradually transforming from retail premises to experiencing and social spaces.

Business Review

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

Investment Properties

The Group's shopping malls continued to strengthen their operations and upgrade mall positioning to enhance the Group's brand influence, which has achieved satisfactory results. During the "Joy Lit Season" lasting from 9 July to 28 August 2022, the Group recorded sales of approximately RMB4,340 million nationwide during, representing a year-on-year increase of 28%, and total footfall reached 36,256,000, representing a year-on-year increase of 21%. In addition, the Group won over 140 major industry awards and honors, including "ICSC 2022 MAXI Awards – Global Innovation Award", the third place of "2022 Top 10 Chinese Property Developers (Central State-owned Enterprises) in Terms of Brand Value", the sixth place of "2022 Top 100 Retail Commercial Real Estate Enterprises in Terms of Comprehensive Strengths" and the "Marketing Plan Excellence Award 2022 at Mall China Golden Mall Awards, demonstrating its brand influence". During the year, the Group's shopping malls generated revenue of approximately RMB2,760 million, and recorded sales of approximately RMB24,800 million. In particular, Beijing Chaoyang Joy City, which was positioned as an "ideal urban lifestyle destination" integrating elements of culture, commerce, sports, tourism and science, recorded sales of approximately RMB4,200 million for the year.

In terms of office building business, the Group followed the strategy of "retaining existing tenants and recruiting new tenants" so as to maintain stable development. Beijing COFCO Plaza improved its operational support and 3C service standards to enhance the quality of property services, achieving a customer satisfaction rate of 93%; Beijing COFCO • Landmark Tower secured new tenants such as Zhongrong Fund, Pacific Insurance and China Mobile Fund, continued to offer comprehensive operational services, achieving a customer satisfaction rate of 95%. Besides, the Group's property projects received a number of honors, for example, Beijing COFCO Plaza was honored as one of the "Top 100 Enterprises in Beijing Dongcheng District" in 2021 by the CPC Beijing Dongcheng District Committee and the People's Government of Dongcheng District, Beijing and was awarded as an outstanding project at "Beijing Urban Renewal Best Practice Awards", and Beijing COFCO • Landmark Tower was listed as one of the "Outstanding Projects of Urban Renewal" in 2022 by china.org.cn.

Property Development

The Group has always pursued robust marketing campaigns and innovative operation. It kept abreast of market hotspots through channeling online marketing, yielding positive marketing results. During the year, the Group successfully sold out the large-scale projects such as Shanghai Joy Centre and Wuhan Optics Valley Joy City Offices, and built a number of local benchmark projects. The newly launched projects, such as Shanghai Rui Hong and Hangzhou OPUS Mansion, were sold out on the first day, achieving admirable sale results. During the year, the Group's contracted sales from property development amounted to approximately RMB28,600 million.

Hotel Operations

Based on operational innovation, the Group attracted customers through marketing and promotion initiatives such as cross-industry cooperation and created operational spotlights. MGM Grand Sanya joined hands with China Cool Carnival to build the first social resort hotel in Hainan; Waldorf Astoria Beijing carried out cross-industry cooperation with brands such as "LA MER" and "Steiff", and achieved favorable returns and market reputation. During the year, the Group's hotels notched a number of awards: MGM Grand Sanya was honored the "2022 Annual Award World Tour-Outstanding Lifestyle Brand Hotel of the Year"; The St. Regis Sanya Hotel was awarded the "2022 Forbes Travel Guide – the Most Prestigious Resort Hotel Recommended for Family Travel"; Waldorf Astoria Beijing was awarded the "Condé Nast Traveler Gold List-China Top 10 Hotel" and Zijin Mansion, the Chinese Restaurant of Waldorf Astoria Beijing, was rated as one-star restaurant in the Michelin Guide for three consecutive years.

Output Management and Other Services

The Group adhered to the development strategy of combining asset-light and asset-heavy operations. It operated such projects as Tianjin Heping Joy City, Kunming Joy City, Shanghai Parkside Joy City, Xi'an Joy City, Changsha North Star Delta Joy City and Shaoxing IFC Joy City under asset-light model, and newly secured three output management projects, namely Guangzhou Huangpu Joy Life, Chengdu Jinniu Joy City and Shenyang Financial Center Joy City, with its brand influence continually enhanced. During the year, the Group delivered stellar performance in asset-light operation projects with total sales revenue of approximately RMB4,700 million. In 2023, the Group will continue to focus on key areas, further explore in the core cities, adhere to the strategic direction of "combining asset-light and asset-heavy operations", so as to improve the business landscape and contribute to the rapid growth of values in relevant cities and regions.

Management Discussion and Analysis

Land Bank

In terms of land bank, the Group strategically expanded presence in the Yangtze River Delta, Chengdu-Chongqing, Beijing-Tianjin-Hebei and other city clusters, focused on the core areas of first-tier and strong second-tier cities, and secured high-quality projects mainly through open market, mergers and acquisitions and other ways. During the year, the Group acquired approximately 780,000 sq.m. of land bank in Beijing, Hangzhou, Suzhou, Nanjing, Chongqing and Xi'an.

Name of land parcel	Location	Site area (sq.m.)	Floor area (sq.m.)	Project type	Actual shareholding percentage
Sub-districted C of Chongqing Central Park 134 Mu	Yubei District, Chongqing	89,023	128,733	Residential	51%
G13 Land in the southern part of the Pukou District, Nanjing	Pukou District, Nanjing	15,247	30,494	Residential	60%
G14 Land in the southern part of the Pukou District, Nanjing	Pukou District, Nanjing	26,031	52,062	Residential	60%
Land at the Olympic and International Expo Centre, Xiaoshan District, Hangzhou	Xiaoshan District, Hangzhou	23,404	53,897	Residential	51%
No. 9 Land at Huaihai Street, Shishan Sub-district, New District, Suzhou	New District, Suzhou	20,773	37,391	Residential	60%
Land at Pingfang Village, Changping District, Beijing	Changping District, Beijing	64,821	96,913	Residential	49%
DK10 Land at Shangtapo, Xi'an	Chang'an District, Xi'an	109,511	383,288	Residential and commercial	51%

Financial Review

Overall Performance Review

For the year ended 31 December 2022, the Group's operating revenue was RMB20,831.4 million (2021: RMB12,313.3 million). Overall gross profit margin was approximately 30.8%, representing a decrease of 7.5 percentage points as compared with 38.3% for the previous year.

The Group recorded profit for the year of approximately RMB1,100.6 million (2021: RMB1,484.9 million), representing a year-on-year decrease of 25.9%, which was due to the rental concessions granted to tenants and fair value changes of investment properties for the year. In particular, the profit attributable to owners of the Company was approximately RMB530.8 million, representing a year-on-year decrease of 10.3%. Excluding the after-tax fair value loss on investment properties and the effect of exchange rate changes, the core net profit attributable to owners of the Company for the year was approximately RMB822.7 million, representing a year-on-year increase of 48.9%.

Review on Investment Properties

During the year, in order to fulfill its responsibilities as a central state-owned enterprise and alleviate the financial pressure of its business tenants, the Group provided rent concessions of approximately RMB819.7 million in total to

tenants who leased properties of the Group in 2022 and met the requirements of the rent concession policy. As a result, the Group's total rental income from investment properties and related services income was approximately RMB3,492.9 million, representing a decrease of 13.9% as compared with RMB4,055.9 million in the previous year. The gross profit margin of the investment properties was 74.5%, representing a decrease of 3.8 percentage points from 78.3% in the previous year. Shopping malls, office buildings and other income contributed 79%, 15% and 6% of the total revenue, respectively.

The Group's shopping malls recorded sales of approximately RMB24.8 billion, and recorded rental income of RMB2,157.6 million. The average occupancy rate of the shopping malls was 93%.

In terms of office building business, the Group adhered to the customer-oriented approach and adopted the development strategy of "retaining existing tenants and recruiting new tenants" to maintain stable development and promote in-depth operations, thereby establishing a good brand image. The rental income from office buildings was approximately RMB506.2 million and the average occupancy rate was 88%.

The table below sets forth the rental income and occupancy rate of the major investment properties of the Group in 2022:

Project	City	Use	Rental income (RMB million)	Occupancy rate (%)
Xidan Joy City Shopping Mall	Beijing	Retail	572.9	95
Chaoyang Joy City Shopping Mall	Beijing	Retail	487.0	99
Tianjin Joy City Shopping Mall	Tianjin	Retail	295.8	97
Shanghai Jing'an Joy City Shopping Mall	Shanghai	Retail	118.8	91
Shenyang Joy City Shopping Mall	Shenyang	Retail	154.8	91
Yantai Joy City Shopping Mall	Yantai	Retail	57.0	89
Chengdu Joy City Shopping Mall	Chengdu	Retail	185.6	95
Hangzhou Joy City Shopping Mall	Hangzhou	Retail	122.8	95
Suzhou Joy Breeze Shopping Mall	Suzhou	Retail	76.8	94
Chongqing Joy City Shopping Mall	Chongqing	Retail	15.0	81
Wuhan Joy City Shopping Mall	Wuhan	Retail	71.1	91
Xidan Joy City Offices	Beijing	Office	33.4	85
COFCO Plaza Offices	Beijing	Office and Retail	267.9	90
Hong Kong COFCO Tower	Hong Kong	Office and Retail	55.5	78
COFCO • Landmark Tower	Beijing	Office and Retail	149.4	89
Fraser Suites Top Glory Shanghai	Shanghai	Serviced apartment	130.4	91
Total			2,794.2	

Management Discussion and Analysis

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

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

Review on Property Development

During the year, the Group's operating revenue derived from property development segment was RMB16,483.7 million, representing an increase of 130.6% from RMB7,149.3 million in the previous year. The settlement area of properties delivered was 717,820 sq.m., representing an increase of approximately 99.7% as compared with 359,507 sq.m. in the previous year. The unit settlement price was RMB22,964/sq.m., representing an increase of 15.5% as compared with RMB19,886/sq.m.. Due to the changes in structure of the properties delivered, the gross profit margin of the property development segment for the year increased by 6 percentage points year-on-year to 22%.

During the year, the Group recorded contracted sales of approximately RMB28,558.0 million, representing a year-on-year increase of 5.8%; and contracted sales area amounted to 800,946.4 sq.m., representing a year-on-year increase of approximately 25.0%. The average unit selling price was approximately RMB35,655/sq.m., representing a year-on-year decrease of 15.4%.

In 2022, the contracted sales amount and contracted sales area of each region achieved by the Group are as follows:

Region	Contracted sales		Contracted sales area	
	2022 (RMB million)	2021 (RMB million)	2022 (sq.m.)	2021 (sq.m.)
Shanghai	12,812.0	19,850.7	244,811.4	324,683.6
Hainan	565.3	1,231.3	22,022.7	43,430.5
Southwest China	2,580.8	839.7	130,617.6	46,307.5
Zhejiang*	2,384.2	-451.5	52,259.3	-21,130.8
Nanjing	4,360.2	3,224.9	176,617.8	177,739.4
Central China	575.6	739.2	45,141.7	35,525.6
Southern China	2,527.0	1,567.7	56,289.6	34,419.8
Beijing	2,662.0	—	61,965.6	—
Northeast China	90.9	—	11,220.9	—
Total	28,558.0	27,002.0	800,946.4	640,975.6

* The contracted sales amount and area in Zhejiang Province in 2021 were approximately RMB500.1 million and 13,439.0 sq.m., respectively. Due to the customer's inability to pay the remaining consideration for purchase of the office units and car parking spaces in Hangzhou Joy City under an agreement signed in 2017, the original property purchase agreement was terminated in 2021, resulting in reversal of the contracted sales area and the negative contracted sales.

Review on Hotel Operations

Based on operational innovation, the Group attracted customers through marketing and promotion initiatives such as cross-industry cooperation and created operational spotlights. During the year, the Group's hotel operations recorded revenue of approximately RMB553.7 million, representing a year-on-year decrease of 27.8%; and the average occupancy rate was 50%, representing a year-on-year decrease of 11 percentage points.

The table below sets forth the average occupancy rate, RevPAR and average room rate of the major hotels of the Group in 2022:

Project	City	Use	Average occupancy rate (%)	RevPAR (RMB)	Average room rate (RMB)
The St. Regis Sanya Yalong Bay Resort	Sanya	Resort	40	802	2,016
MGM Grand Sanya	Sanya	Resort	58	757	1,298
Cactus Resort Sanya by Gloria	Sanya	Resort	37	108	293
Waldorf Astoria Beijing	Beijing	Business Inn	31	717	2,334
Le Joy Hotel Beijing	Beijing	Hotel	79	448	569

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

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

Review on Output Management

Revenue from output management for the year was approximately RMB167.8 million.

Other gains and losses

For the year ended 31 December 2022, the Group recorded a loss of approximately RMB312.0 million under other gains and losses, representing an increase of loss of RMB189.2 million as compared with a loss of RMB122.8 million in the previous year, mainly due to the foreign exchange loss of RMB147.1 million (2021: foreign exchange gain of RMB117.5 million) recorded in 2022 for the USD- and HKD-denominated borrowings held by the Group resulting from the depreciation of RMB during the year. In response to the sluggish situation of the real estate sector for the year, the Company exerted efforts to adjust its marketing strategies to mitigate the negative impact of a market downturn. The Group recorded an impairment loss of

RMB291.1 million (2021: RMB266.6 million) for both of the properties held for sale and the properties under development for sale due to the lower-than-expected selling prices of the office buildings and apartment properties in Wuhan and Qingdao.

Impairment losses under expected credit loss model, net of reversal

For the year ended 31 December 2022, the Group's impairment losses under expected credit loss model, net of reversal, amounted to approximately RMB102.4 million (2021: RMB308.5 million).

Taxation

Income tax expense comprises PRC corporate income tax, land appreciation tax and Hong Kong profit tax. The Group's tax expenses was RMB1,499.9 million (2021: RMB974.0 million).

Management Discussion and Analysis

Financial Position

Interest-bearing borrowings and net debt to total equity ratio

Item	As of 31 December	
	2022 (RMB'000)	2021 (RMB'000)
Bank borrowings (current and non-current)	24,342,372	21,176,630
Corporate bonds	3,979,921	3,985,581
Borrowings from fellow subsidiaries, associates, joint ventures, non-controlling shareholders and third parties (current and non-current)	17,444,196	13,827,497
Total interest-bearing borrowings*	45,766,489	38,989,708
Less: Cash and bank balances	16,895,367	10,352,897
Restricted and pledged bank deposits	90,294	132,716
Net debt	28,780,828	28,504,095
Total equity	58,089,278	58,019,420
Net debt to total equity ratio**	49.5%	49.1%

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

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

As at 31 December 2022, the interest-bearing borrowings aggregated to approximately RMB45,766.5 million, representing an increase of 17% as compared with RMB38,989.7 million as at 31 December 2021. The net debt to total equity ratio was approximately 49.5%, representing an increase of 0.4 percentage point from 49.1% in the previous year. Among the interest-bearing borrowings, 63.7% were denominated in RMB while 36.3% were denominated in HKD and USD.

In the total interest-bearing borrowings, approximately RMB20,134 million were with fixed interest rates ranging from 3% per annum to 6.5% per annum, and the other borrowings carried interest at floating rates. As of 31 December 2022, the proportion of fixed interest borrowings was 44% (31 December 2021: 43%) of the total interest-bearing borrowings.

The Group is committed to optimizing its capital structure and reducing financing costs. COFCO Commercial Property Investment Co., Ltd., a non-wholly owned subsidiary of the Company, issued corporate bonds of RMB1,500 million on the Shenzhen Stock Exchange in January 2022, comprising RMB1,000 million with a term of 3 + 2 years and a coupon rate of 3.08% and RMB500 million with a term of 5 + 2 years and a coupon rate of 3.49%. It issued perpetual medium-term notes of RMB1,500 million in the National Association of Financial Market Institutional Investors in December 2022, with a term of 2 + N years and a coupon rate of 5.1%. With access to multiple financing platforms at home and abroad, the Group has been able to seize the opportunities in capital markets to raise financing at a lower cost, to support to the development of the Group.

In 2022, the Company maintained a good relationship with banks and actively broadened financing channels to optimize its financing structure. Despite the general imposition of bank property lending caps, the Company's average financing cost still stood at 3.97%, representing a decrease of 0.16 percentage point as compared with that in the previous year. As such, the Group's capital cost was further reduced and remained at a relatively low level in the industry.

Bank Borrowings

Bank borrowings amounted to RMB24,342.4 million as at 31 December 2022, representing an increase of 14.9% as compared with that at the beginning of the year. All bank borrowings carry floating rates.

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

Item	As of 31 December	
	2022 (RMB'000)	2021 (RMB'000)
Carrying amount repayable:		
Within one year	4,935,955	8,400,146
In the second year	5,153,957	3,232,005
In the third to fifth year (inclusive)	12,640,806	8,531,199
Over five years	1,611,654	1,013,280
Total	24,342,372	21,176,630

Bank borrowings of approximately RMB4,936.0 million is repayable within one year and is shown as current liabilities. All the Group's borrowings are denominated in RMB, HKD and USD. There is no material seasonal impact on the Group's needs for borrowings.

As at 31 December 2022, the Group had banking facilities of RMB46,635 million, of which unused facilities amounting to RMB17,792 million, indicating that Group had smooth access to financing and sufficient credit facilities.

Contingent Liabilities

As at 31 December 2022, details of the Group's contingent liabilities and non-compliance issues are set out in Note 38 to the consolidated financial statements. The Directors believe that, based on the reasons and circumstances of those non-compliances and the PRC legal advice, the Group is less likely to be subject to any fine, penalty or demolition or confiscation, and accordingly, no provision has been made in the consolidated financial statements.

Interest Rate Risk

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

Foreign Exchange Risk

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

The Group attaches great importance to the selection, employment, training and retention of talents. While sticking to equal employment and optimizing its remuneration and incentive mechanisms, the Group diversifies recruitment channels and protects rights and interests of employees. Thus the Group is able to attract and establish a lean, competent and highly efficient staff team, promote the common development of enterprise and employees, and provide talent support for the Group's strategic goals. As of 31 December 2022, the Group had 3,794 employees in total.

Aiming to maintain the "high efficiency and competitive incentives", the Group has established a sound remuneration and incentive system. The Group has also built a harmonious and consistent labor relationship with its staff by providing competitive salaries and comprehensive benefits including pension insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance, housing provident fund, commercial health insurance, accident insurance and corporate annuity plan.

Upholding the training concept of "learning for application", the Group systematically planned and coordinated the layout, focused on the development of talents at all levels of key positions and their reserve, focused on the improvement of business capabilities, established a talent training system, and created a sufficient quantity and quality of talent supply chain for the Group, so as to support the achievement of strategic goals. At present, the Group has established the core training projects including "Core Team Training Camp", "Golden Helmsman", "Golden Seed", "Class 3040", "Sword Casting Plan", "New Joy Training Camp", "Future Star Training Camp", "Joy Seminar" and so on. It explores the internal courses of the Group, and revitalizes internal training resources by establishing a professional and systematic internal training lecturer team and improving online learning systems.

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

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

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

Outlook

Looking forward to 2023, with the continuous launch of macro supporting policies, consumption is expected to recover steadily, during which the cultural and entertainment industry will become the highlight. In particular, the consumption on culture, education, entertainment and catering services, the consumption involving people contact and the experience-based consumption will improve significantly, and the hotel business will also pick up with the recovery of tourism industry. Going forward, the consumer market will continue to iterate, focusing on consumers' changing preferences. As a result, enhancing consumer experience, encouraging visits to offline stores and increasing face-to-face interaction with consumers will become the focus of development, which present new challenges for commercial real estate operations. In the future, the Group will continue to pursue its positioning as "a service provider of urban operation and better life". Riding on the development trend of the industry, the Group will capitalize on the opportunities arising in the industry, consolidate resources in various areas and further optimise operating capacity, so as to achieve favorable operating results.

Directors and Senior Management

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

DIRECTORS

Mr. CHEN Lang
 Mr. CAO Ronggen
 Mr. MA Dewei
 Mr. LIU Yun
 Mr. ZHU Laibin
 Mr. LAU Hon Chuen, Ambrose, GBS, JP
 Mr. LAM Kin Ming, Lawrence
 Mr. CHAN Fan Shing

Chairman and Non-executive Director
Executive Director
Non-executive Director
Non-executive Director
Non-executive Director
Independent Non-executive Director
Independent Non-executive Director
Independent Non-executive Director



Mr. CHEN Lang, aged 57, was appointed as the Chairman of the Board and a Non-executive Director, the chairman of the Nomination Committee and an authorized representative of the Company under rule 3.05 of the Listing Rules with effect from 30 September 2022.

Mr. CHEN joined COFCO Corporation in April 2019 and is currently an Executive Vice President of COFCO Corporation, a director and chairman of Grandjoy Holdings Group (stock code: 000031), a company listed on the Shenzhen Stock Exchange and a non-executive director and chairman of the board of China Mengniu Dairy Company Limited (stock code: 2319), a company listed on the main board of the Stock Exchange. Prior to joining COFCO Corporation, Mr. CHEN had served as an Executive Vice President of China Resources (Holdings) Company Limited until April 2019. At the same time, he served as the chairman and general manager of China Resources Development & Investment Co., Ltd., the chairman of China Resources Vanguard Co., Ltd., the chairman of China Resources Snow Breweries (China) Investment Co., Ltd., the chairman of China Resources Ng Fung Co., Ltd., and the chairman of China Resources C'estbon Beverage (China) Investment Co., Ltd., and vice-chairman and chief executive officer of China Resources Logic Limited (now renamed as China Resources Gas Group Limited). Mr. CHEN was a vice chairman of the board of directors and a member of strategy committee of Shanxi Xinghuacun Fen Wine Factory Co., Limited (山西杏花村汾酒廠股份有限公司), a company listed in Shanghai Stock Exchange, until June 2019; an executive director and the chairman of the board of directors of China Resources Beer (Holdings) Company Limited (stock code: 291), a company listed on the main board of the Stock Exchange, until July 2019, and a non-executive director and chairman of the board of China Foods Limited (stock code: 506), a company listed on the main board of the Stock Exchange, until 29 September 2022.

Mr. CHEN holds a master's degree in Business Administration.

Mr. CAO Ronggen, aged 59, was appointed as an Executive Director, a member of Executive Committee and a member of Remuneration Committee with effect from 7 December 2016 and a member of Audit Committee with effect from 30 May 2019, and the General Manager with effect from 28 October 2020. Mr. CAO is also a director of several subsidiaries of the Company.



Mr. CAO joined Shenzhen Baoheng (Group) Co., Ltd. (深圳市寶恒(集團)股份有限公司) in July 1988, which was subsequently acquired by COFCO Corporation and now known as Grandjoy Holdings Group (stock code: 000031), a company listed on the Shenzhen Stock Exchange, and had successively served in various positions within the group, including an assistant engineer of Shenzhen Baohing Electric Wire & Cable Manufacture Co. Ltd. (深圳寶興電纜電纜製造有限公司), secretary of managerial office of Baoan County Construction Company (寶安縣城建設公司), the securities department manager from October 1993 to December 1998, the board secretary, the general manager assistant, the deputy general manager and other positions between June 2006 to December 2016, and has been a director and general manager of Grandjoy Holdings Group since May 2017.

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



Mr. MA Dewei, aged 59, was appointed as a Non-executive Director with effect from 28 October 2020.

Mr. MA started to work in July 1987 and served as the legal counsel of Beijing International Hotel, the deputy general manager of Beijing Yitong Dance Art Service Company, the director of the cultural and legal affairs department of Beijing Huaxin Law Firm, and the lawyer of Beijing Jiangchuan Law Firm. Mr. MA joined COFCO Corporation in December 1998 and had served in

various positions, including staff of the Legal and Trademark Affairs Department, general manager of the Legal Consulting Department, deputy director of the Legal Department and general manager of the Contract and Corporate Law Department, and director of the Legal Department of COFCO Corporation. He has served as the general counsel of COFCO Corporation since February 2013, the chief compliance officer of COFCO Corporation since November 2022 and director of Legal and Compliance Department of COFCO Corporation since December 2022. He is a director of Grandjoy Holdings Group (stock code: 000031), a company listed on the Shenzhen Stock Exchange, since March 2019 and a non-executive director of COFCO Joycome Foods Limited (stock code: 1610), a company listed on the main board of the Stock Exchange, since July 2021.

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

Directors and Senior Management

Mr. LIU Yun, aged 52, was appointed as a Non-executive Director with effect from 17 March 2021.

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

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



Mr. ZHU Laibin, aged 51, was appointed as a Non-executive Director with effect from 30 March 2020.

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

Mr. ZHU graduated from Hangzhou Business College with a bachelor's degree in economics in July 1993. He also graduated from the University of Science and Technology Beijing and the University of Texas at Arlington with a master's degree in business administration in August 2007. Mr. Zhu is a Certified Public Accountant in the PRC.

Mr. LAU Hon Chuen, Ambrose, GBP, JP, aged 75, was appointed as an Independent Non-executive Director with effect from 2 August 1995. He is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

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



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

Mr. LAU is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, OCBC Wing Hang Bank Limited, Sun Hon Investment and Finance Limited, Wydoff Limited, Wytex Limited, Helicoin Limited, Wyman Investments Limited, Trillions Profit Nominee & Secretarial Services Limited and Porex Limited. Mr. LAU ceased to act as an independent non-executive director of China Jinmao Holdings Group Limited (stock code: 817), a company listed on the main board of the Stock Exchange, in June 2020. He served as the chairman of the Central and Western District Board from 1988 to 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee from 1988 to 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (from 1997 to 1998, he was a member of the Provisional Legislative Council). He has served as a Standing Committee member of the 10th, 11th, and 12th National Committee of the Chinese People's Political Consultative Conference.

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



Mr. LAM Kin Ming, Lawrence, aged 67, was appointed as an Independent Non-executive Director with effect from 21 September 2004. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. LAM was the senior vice president of the Enterprise Solutions Commercial Group of HKT Trust and HKT Limited (stock code: 6823), a company listed on the main board of the Stock Exchange and a member of the PCCW group.

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

Directors and Senior Management

Mr. CHAN Fan Shing, aged 46, was appointed as an Independent Non-executive Director with effect from 10 February 2020. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. CHAN has extensive experience in auditing, accounting and financial management. Mr. CHAN has been an independent non-executive director of each of Gaush Meditech Limited (stock code: 2407) and Trigiant Group Limited (stock code: 1300), since November 2022 and September 2018, respectively, both companies listed on the main board of the Stock Exchange. In addition, Mr. CHAN was an executive director of Tycoon Group Holdings Limited (stock code: 3390), a company listed on the main board of the Stock Exchange from October 2018 to August 2020 and was a director of Tycoon Asia Pacific Group Limited. From September 2009 to March 2016, Mr. CHAN was the secretary to the Board, financial controller and authorized representative of CPMC Holdings Limited (stock code: 906) ("**CPMC**"), the shares of which are listed on the main board of the Stock Exchange. Prior to joining CPMC, Mr. CHAN has worked as senior management in various Hong Kong listed companies and as auditor in international audit firms.

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



HONORARY ADVISOR

Mr. WU Kwok Cheung, MH, aged 90, was appointed as an honorary advisor of the Company with effect from 10 February 2020. He was an Independent Non-executive Director from August 2006 to February 2020.

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

SENIOR MANAGEMENT

Mr. YAO Changlin, aged 55, was appointed as a deputy general manager of the Company with effect from 19 December 2013. Mr. YAO is also a director of several subsidiaries of the Company.

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

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

Mr. WU Lipeng, aged 43, was appointed as the chief financial officer of the Company with effect from 28 July 2021. Mr. WU is also a director of several subsidiaries of the Company.

Mr. WU joined COFCO Corporation since 2002 and had served as, amongst others, the assistant to general manager of finance department of COFCO (Hong Kong) Limited, the general manager assistant and the deputy general manager of finance department (accounting management) and the general manager of finance department (taxation and assets management) of COFCO Corporation, and the deputy director of finance department and the general manager of capital management department of COFCO Corporation. Mr. WU served as the vice chairman of the Supervisory Board of COFCO Property (Group) Co., Ltd. (renamed as Grandjoy Holdings Group Co., Ltd in April 2019) since October 2017. He has served as a supervisor of Chinatex Corporation Limited and a director of COFCO Finance Company Limited since December 2017.

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

Directors and Senior Management

Ms. SONG Bingxin, aged 53, was appointed as the deputy general manager of the Company with effect from 26 April 2019. Ms. SONG is also a director of several subsidiaries of the Company.

Ms. SONG joined COFCO Corporation in August 1995. She had previously served as, amongst others, the legal consultant of the legal department, the deputy general manager of the contract and company law department and the general manager of the litigation and arbitration department at COFCO Corporation. Ms. Song was the general manager of legal department at COFCO Land Limited (中糧置地有限公司) from January 2012 to August 2021. She acted as general legal counsel at COFCO Land Limited (中糧置地有限公司) since February 2015. Ms. SONG served as the secretary of the board of Grandjoy Holdings Group since April 2017. She is also the general legal counsel at Grandjoy Holdings Group.

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

Mr. GUO Fengrui, aged 54, was appointed as the deputy general manager of the Company with effect from 26 April 2019. Mr. GUO is also a director of several subsidiaries of the Company.

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

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

Corporate Governance Report

The Board of Directors is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices within a sensible framework with an emphasis on the principles of transparency, accountability and independence to safeguard the interests of its shareholders and enhance the performance of the Group. From time to time, the Board of Directors monitors, reviews and improves the Company's corporate governance practices in order to ensure compliance with rules and regulations, and applicable codes and standards.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all code provisions in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules as its own code on corporate governance. Throughout the year ended 31 December 2022, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code except for code provision F.2.2. Such code provision stipulates that the chairman of the board of directors should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 2 June 2022 due to travel restrictions during the COVID-19 pandemic, Mr. LAM Kin Ming, Lawrence, an Independent Non-executive Director, chaired the annual general meeting on behalf of the Chairman of the Board and was available to answer questions.

VISION, MISSIONS AND CORE VALUES

The Board provides guidance to management by defining vision, mission, values and strategy and ensures their alignment with corporate culture of the Group. The Company has the vision to maximize the benefits of customers, Shareholders and staff members wholeheartedly and is dedicated to the missions of contributing quality green living space and services, lead the trend of a fashionable lifestyle, in order to become a leader among real estate brands in the PRC with the greatest sustainable development potential. The Group followed a prudent business strategy and adhered to the "dual-wheel and dual-core" development model, making the best of its operational and management experience to ensure stable performance.

Under the leadership of the Board, the Company instils and continually reinforces its vision, missions, strategy and culture in all employees while integrating them into the day-to-day operations of the Group and is committed to operating its business lawfully, ethically and responsibly. Certain channels are in place to ensure desired culture and expected behaviors are communicated to all employees. The Group's intra-group platform, which is an interactive platform where corporate policies, company news and staff events are disseminated. It serves as the key day-to-day channel where our core values are communicated, understood and embraced. The Group also arranged staff training on topics from leadership, compliance, industry knowledge to personal capabilities regularly to develop the essential skills to embed our core values across our business.

Information on the Company's performance and the basis on which the Company generates value over the longer term and the strategy for delivering the above vision and missions are set out in the Chairman's Statement and the Management Discussion and Analysis sections of this Annual Report and the ESG Report 2022.

Corporate Governance Report

BOARD OF DIRECTORS

The Composition

As at the date of this Annual Report, the Board comprises eight members, with one Executive Director, four Non-executive Directors and three Independent Non-executive Directors:

Executive Director:

Mr. CAO Ronggen

Non-executive Directors:

Mr. CHEN Lang (*Chairman*)

Mr. MA Dewei

Mr. LIU Yun

Mr. ZHU Laibin

Independent Non-executive Directors:

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

On 30 September 2022, Mr. CHEN Lang was appointed as a Non-executive Director and the Chairman of the Board following the resignation of Mr. YOU Wei as an Executive Director and the Chairman of the Board.

The names of the Directors in office during the year 2022 and up to the date of this Annual Report are set out in the Directors' Report contained in this Annual Report. The biographical details of the current Directors are set out in Directors and Senior Management contained in this Annual Report. An updated list of Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange.

Information about the Board diversity policy (the "**Board Diversity Policy**") and the nomination policy (the "**Nomination Policy**") of the Company along with the results of the review of the Board composition, diversity and independence, and the nomination of Board candidate during 2022 are set out in the Nomination Committee section below.

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship between Board members or between the Chairman and chief executive.

Corporate Governance Report

Roles and Responsibilities

The Board possesses a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the Company. Directors take decisions objectively in the interests of the Company. The Directors, individually and collectively, are aware of their responsibilities and accountability to Shareholders and for the manner in which the affairs of the Company are managed and operated.

To ensure that Directors have spent sufficient time on the affairs of the Company, all Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company of any change of such information in a timely manner and each Director is required to confirm such information to the Company twice per year. Details of Directors, including their directorships held in listed public companies in the past three years, are set out in the Directors and Senior Management section contained in this Annual Report.

The Board is the ultimate decision making body of the Company except for matters requiring the approval of the Shareholders in accordance with the Companies Act 1981 (as amended) of Bermuda, the Bye-laws, the Listing Rules or other applicable laws and regulations. The Board, led by the Chairman, is collectively responsible for the management and operations of the Company. The Board determines which functions are reserved to the Board and which are delegated to senior management.

Important matters are reserved to the Board for its decision, including but not limited to provide leadership and oversee the management, long term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the Board committees, annual budgets, the effectiveness and adequacy of the Company's internal control and risk management system, material acquisitions and disposals, material connected transactions, material banking facilities, announcements of interim and final results and payment of dividends and reviewing and planning all other important matters for the Company.

The Board also has the following corporate governance duties of the Company:

- (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 the Directors and senior management;
- (c) to review and monitor the Company's policies and practices in 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 the Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board delegates appropriate aspects of its management and administrative functions to the Executive Director/the general manager of the Company (the "**General Manager**") or Board committees. Day-to-day businesses of the Company are delegated to the management team which works under the leadership and supervision of the Executive Director/the General Manager. For effective oversight and leadership, it gives clear directions as to the powers of senior management, in particular, with respect to the circumstances where senior management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed periodically to ensure that they remain appropriate to the needs of the Company.

The Company has arranged insurance coverage in respect of directors' liability for all Directors.

Corporate Governance Report

Chairman and Chief Executive/General Manager

Mr. CHEN Lang was appointed as the Chairman of the Board following the resignation of Mr. YOU Wei on 30 September 2022. The Chairman of the Board, focuses on the Group's strategic business planning and provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The Chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings. During the year, Mr. CHEN and Mr. YOU, during their respective terms of office, has led the Board and ensured the Board works effectively and all important issues are discussed in a timely manner.

Mr. CAO Ronggen, the Executive Director and General Manager, who performed the role of chief executive officer, has overall executive responsibility to oversee the management function and day-to-day development and operation performance of the Group; and to monitor the execution of strategic plans and operations of all business units.

The positions of the Chairman of the Board and the General Manager are held by separate individuals so as to maintain an effective segregation of duties. They receive significant support from other Directors and senior management.

Non-executive Directors

The Non-executive Directors (including the Independent Non-executive Directors) are seasoned individuals from diversified backgrounds. With their expertise and experience, they serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company.

During the year ended 31 December 2022, the composition of the Board at all times met the requirements of rule 3.10(1) (every board of directors of a listed issuer must include at least three (3) independent non-executive directors) and rule 3.10(2) (at least one (1) independent non-executive director must have appropriate qualifications or accounting or related financial management expertise), and rule 3.10A (independent non-executive directors representing at least one-third of the board of directors) of the Listing Rules.

Each of the Independent Non-executive Directors has provided a confirmation of his independence (which also covers his immediate family members) to the Company for the financial year 2022 pursuant to rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors are independent in accordance with the Listing Rules.

During the year, the Chairman held annual meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the Corporate Governance Code.

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board maintains a balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors, with a majority of Non-executive Directors (including Independent Non-executive Directors) and no less than one-third of Independent Non-executive Directors to ensure the independence of the Board. The Company has established various channels for the Independent Non-executive Directors to express their opinion, and secured sufficient time for Board meetings and Board Committee meetings to ensure that the Directors have sufficient time and channels to express their consideration and opinion. A private meeting between the Chairman and the Independent Non-executive Directors takes place at least once each year, to encourage them to voice out their independent views and promote an open and constructive dialogue. In addition, Directors are entitled to take independent professional advice as appropriate at the expense of the Company in order to facilitate proper discharge of their duties. The Board has reviewed the above mechanisms and their implementation for the year 2022 and considered them to be effective.

Corporate Governance Report

Appointment and Term of Appointment of Directors

The Board is empowered under the Bye-laws to appoint any person as a Director, from time to time and at any time, either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. In accordance with the Bye-laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company ("**AGM**") and shall then be eligible for re-election. Furthermore, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years (the "**Re-election Requirements**").

Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision. Each Director (including Non-executive and Independent Non-executive Directors) was appointed by a letter of appointment or service contract setting out the key terms and conditions of his/her appointment. The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in rule 3.13 of the Listing Rules.

All current Directors have signed formal appointment letters or service contracts with the Company with respect to their directorship with the Company. The term of office of each Director is three years, subject to Re-election Requirements in accordance with the Bye-laws.

Board Meetings

The Board meets from time to time and at least four times a year to discuss and consider the affairs of the Company. Regular Board meetings are scheduled in advance to give the Directors an opportunity to attend. Directors can attend Board meetings either in person or by electronic means of communication. During the year ended 31 December 2022, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to consider the declaration of dividends (if any), to consider and approve the change of the company secretary of the Company (the "**Company Secretary**") and continuing connected transactions of the Group, to discuss significant issues and approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the section headed "Attendance Record at Board, Board Committees and Shareholders' Meetings in 2022" below. Throughout the year, the Directors also consider and approve matters and transactions by way of written resolutions, which are circulated to Directors together with relevant materials.

The Company Secretary assists the Chairman in preparing agenda and notice for each meeting. Draft agenda for each regular Board meeting is circulated to all Directors to enable them to include all other matters into the agenda. Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and Board committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board or Board committee meetings. The Company Secretary is responsible for taking and keeping minutes of all Board and Board committee meetings.

Efforts are made to ensure that queries of the Directors are dealt with promptly. Directors at all times have full and timely access to information of the Group, including Board papers and related materials. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, is sent to Directors each month for their review. Each Director has independent access to the management team for information on the Group and unrestricted access to the services of the Company Secretary on governance matters and board procedures and they can ask for further information or retain independent professional advisors whenever deemed necessary by them at the expense of the Company.

Corporate Governance Report

If a Director has a material interest in a matter of significant nature to be considered by the Board, a physical meeting or meeting by video/phone conference will be held to discuss such matter instead of seeking Directors' written consent by way of circulation of written resolutions. In accordance with the Bye-laws, such Director/Directors who is/are considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

Attendance Record at Board, Board Committees and Shareholders Meetings in 2022

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	General Meeting
Number of Meetings	4	3	2	3	23	3
Directors						
Executive Directors						
Mr. YOU Wei (Chairman) (Resigned on 30 September 2022)	2/3			2/2	23/23	0/2
Mr. CAO Ronggen	4/4	3/3	2/2		23/23	0/3
Non-executive Directors						
Mr. CHEN Lang (Chairman) (Appointed on 30 September 2022)	0/1			0/1		0/1
Mr. MA Dewei	3/4					0/3
Mr. LIU Yun	4/4					0/3
Mr. ZHU Laibin	4/4					0/3
Independent Non-executive Directors						
Mr. LAU Hon Chuen, Ambrose, GBS, JP	4/4	3/3	2/2	3/3		2/3
Mr. LAM Kin Ming, Lawrence	4/4	3/3	2/2	3/3		3/3
Mr. CHAN Fan Shing	4/4	3/3	2/2	3/3		3/3

Induction and Development

Upon appointment to the Board, each Director would be provided an induction package containing the applicable statutory and regulatory obligations of a director of a listed company, and he or she would receive a briefing on his or her responsibilities under the declaration and undertaking with regard to Directors from an external lawyer of the Company. A new Director is also provided with a Director's handbook which sets out, among other items, information of the Group's businesses, the Bye-laws, the terms of references of the Board committees, corporate governance policies of the Company and financial reporting standards and the duties and responsibilities of Directors under the Listing Rules. Director's handbook is updated from time to time to align with the amendments (if any) to the relevant rules and regulations. Such briefings and induction materials were provided to Mr. CHEN Lang who was appointed as a Non-executive Director during the year.

Corporate Governance Report

All Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, the external lawyer of the Company is invited to give seminars to the Directors and the senior management to update their skills and knowledge regularly. A summary of training received by the Directors for the year 2022 according to the records provided by the Directors is as follows:

Name of Directors	Attending seminars/ briefings/conferences or reading materials on the Company's business/financial reporting/ESG practices/risk management and internal control	Attending seminars/ briefings/conferences or reading materials on director's duties, compliance issues for listed companies and/or legal and regulatory requirements
Executive Directors		
Mr. YOU Wei (<i>Chairman</i>) (<i>Resigned on 30 September 2022</i>)	√	√
Mr. CAO Ronggen	√	√
Non-executive Directors		
Mr. CHEN Lang (<i>Chairman</i>) (<i>Appointed on 30 September 2022</i>)	√	√
Mr. MA Dewei	√	√
Mr. LIU Yun	√	√
Mr. ZHU Laibin	√	√
Independent Non-executive Directors		
Mr. LAU Hon Chuen, Ambrose, <i>GBS, JP</i>	√	√
Mr. LAM Kin Ming, Lawrence	√	√
Mr. CHAN Fan Shing	√	√

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct for dealings in the securities of the Company by its Directors (the “**Securities Dealings Code**”) that is based on the Model Code. The terms of the Securities Dealings Code are no less exacting than the required standards set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Securities Dealings Code throughout the year.

The Company has also adopted a code (the “**Employees Trading Code**”) for securities transactions by relevant employees of the Group (the “**Relevant Employees**”) based on the Model Code concerning dealings by Relevant Employees in the securities of the Company. Relevant Employees who are likely to be in possession of unpublished inside information of the Group are required to comply with the Employees Trading Code in respect of their dealings in the securities of the Company.

Before the Group's interim and annual results are announced, notifications will be sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods.

Corporate Governance Report

BOARD COMMITTEES

The Board has established and delegated specific roles and responsibilities to respective Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. These Committees are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities, and they are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

Audit Committee

Members of the Audit Committee are:

Mr. LAU Hon Chuen, Ambrose, <i>GBS, JP</i>	<i>(Chairman)</i>	<i>(Independent Non-executive Director)</i>
Mr. CAO Ronggen		<i>(Executive Director)</i>
Mr. LAM Kin Ming, Lawrence		<i>(Independent Non-executive Director)</i>
Mr. CHAN Fan Shing		<i>(Independent Non-executive Director)</i>

Pursuant to rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director. The Audit Committee fulfills all requirements under rule 3.21 of the Listing Rules except for a deviation involving an Executive Director as one of its members. The Company considered the Audit Committee has to necessarily depend upon the support and information provided by Executive Director/senior management in considering matters relating to the Group and its operations and the involvement of an Executive Director at meetings of the Audit Committee as an "invitee" shall make meaningful contributions to the discourse of the Audit Committee. The Board has put in place mechanisms to ensure the Audit Committee to perform its work independently and objectively. Such mechanisms include (1) the Independent Non-executive Directors shall obtain, at the Company's expense, any advice or support from external advisers or experts including legal advisers on any matters where necessary to discharge their duties; and (2) Director/Directors who is/are considered to be materially interested in the matter to be considered in the Audit Committee meeting(s) shall abstain from voting and not be counted in the quorum. The Board will regularly review the effectiveness of this structure to ensure it is remained appropriate to the needs of the Company.

The Audit Committee reports directly to the Board. The major roles and functions of the Audit Committee are as follows:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of their resignation or dismissal;
- to review and monitor the independence of external auditor and the objectivity and effectiveness of its audit process;
- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to monitor the integrity of the interim and annual financial statements of the Group, and to review significant financial reporting judgments contained therein;
- to review the financial controls, internal controls and risk management systems of the Group;
- to consider any findings of major investigations on risk management and internal control matters and response from the management;

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- to review the financial and accounting policies and practices of the Group;
- to review the external auditor's letter to management and ensure that the Board will provide a timely response; and
- to serve as the Company's channel of communication with the external auditor for overseeing their relations.

Committee members may seek independent professional advice where necessary to discharge their duties. The terms of reference of the Audit Committee is published on the websites the Company and the Stock Exchange.

The Audit Committee meets as and when required to perform its responsibilities, and at least twice in each financial year of the Company. Three meetings were held in the year. During the year, the Audit Committee reviewed, together with senior management and the external auditor, the annual results for the year ended 31 December 2021 and the interim results for the six months ended 30 June 2022, the interim and annual reports, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, the risk management reports and the assessment and declarations in respect of the effectiveness of the risk management and internal control systems, the effectiveness of the Company's internal audit function, the internal audit plan and all internal audit reports compiled during the year, the adequacy of resources, qualifications and trainings of accounting and internal audit staff and auditor related matters (including fee, engagement and independence). In addition, the Audit Committee also reviewed and considered the continuing connected transactions of the Company and reviewed the audit plan of the external audit for the year ended 31 December 2022.

Subsequent to the financial year end, the Audit Committee reviewed at a meeting in March 2023 the Group consolidated financial statements for the year ended 31 December 2022, the draft annual results announcement, the Annual Report 2022, the draft ESG Report 2022, the effectiveness of the Group's risk management and internal control systems, the terms of reference of the Audit Committee, the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company 2023 and considered the major and continuing connected transactions relating to the 2023 financial services agreements, with recommendations to the Board for approval.

The attendance record of each member of the Audit Committee is shown under the section headed "Attendance Record at Board, Board Committees and Shareholders Meetings in 2022".

Remuneration Committee

Members of the Remuneration Committee are:

Mr. LAU Hon Chuen, Ambrose, <i>GBS, JP</i>	<i>(Chairman)</i>	<i>(Independent Non-executive Director)</i>
Mr. CAO Ronggen		<i>(Executive Director)</i>
Mr. LAM Kin Ming, Lawrence		<i>(Independent Non-executive Director)</i>
Mr. CHAN Fan Shing		<i>(Independent Non-executive Director)</i>

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

- to make recommendations to the Board on the policy and structure for remuneration of Directors and senior management (if any) of the Company;
- to make recommendations to the Board on the remuneration packages (including benefits in kind, pension rights and compensation payments) of individual executive Directors and senior management (if any);
- to make recommendations to the Board on the remuneration of non-executive Directors;

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- to review and approve compensation payable to Executive Directors and senior management (if any) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The Remuneration Committee reports directly to the Board. The terms of reference of the Remuneration Committee is published on the websites the Company and the Stock Exchange.

The Board has adopted a Policy on Remuneration of Full Time Directors and Management Team to provide guidance on the determination of remuneration of Executive Directors and management team, with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration should be performance-based and, coupled with an incentive system, competitive to attract and retain talented employees.

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

Two meetings were held and one written resolution was signed during the year. During the year, the Remuneration Committee approved the remuneration and director's fee payable to the Directors. The Remuneration Committee also approved the remuneration and Director's fee payable to Mr. CHEN Lang, the newly appointed Non-executive Director. Also, the Remuneration Committee reviewed and approved the performance-based remuneration package of each individual executive director and approved the salary payable. No Director participated in the determination of his own remuneration.

The emoluments paid to each Director for the 2022 financial year are shown in note 14 to the consolidated financial statements of this Annual Report. The remuneration paid to members of the management team for the 2022 financial year is disclosed in note 15 to the consolidated financial statements of this Annual Report.

The attendance record of each member of Remuneration Committee is shown under the section headed "Attendance Record at Board, Board Committees and Shareholders Meetings in 2022".

Subsequent to the financial year end, the Remuneration Committee reviewed at a meeting in March 2023 the remuneration policy of Directors and senior management, Directors' fee and remuneration for the Directors and the terms of reference of the Remuneration Committee, with recommendations to the Board for approval.

Nomination Committee

Members of the Nomination Committee are:

Mr. CHEN Lang	(Chairman)	(Non-executive Director)	(appointed on 30 September 2022)
Mr. YOU Wei	(Chairman)	(Executive Director)	(resigned on 30 September 2022)
Mr. LAU Hon Chuen, Ambrose, GBS, JP		(Independent Non-executive Director)	
Mr. LAM Kin Ming, Lawrence		(Independent Non-executive Director)	
Mr. CHAN Fan Shing		(Independent Non-executive Director)	

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The Nomination Committee reports directly to the Board. The major roles and functions of the Nomination Committee are as follows:

- to make recommendations to the Board on the appointment, re-appointment or renewal of service contracts of Directors and succession planning for Directors;
- to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least once annually, and make recommendations on any proposed changes to the Board according to the corporate strategy of the Company;
- to assess the independence of Independent Non-executive Directors and review the annual confirmations on their independence of independent Non-executive Directors;
- to regularly review the time required from a Director to perform his/her responsibilities; and
- to give adequate consideration to the Board Diversity Policy in carrying out its responsibilities under its Terms of Reference.

Committee members may seek independent professional advice where necessary to discharge their duties. The terms of reference of the Nomination Committee is published on the websites the Company and the Stock Exchange.

Three meetings were held in the year. During the year, the Nomination Committee reviewed the structure, size and composition of the Board in accordance with the Listing Rules, the Diversity Policy, and the Nomination Policy and considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group and made recommendation to the Board to appoint at least one female member as soon as practicable and, in any event, by the end of the financial year 2024. It also considered the independence of the Independent Non-executive Directors, and resolved to recommend the nomination of all the retiring Directors standing for re-election at the 2022 annual general meeting. During the year, it also made recommendation to the Board the appointment of Mr. CHEN Lang as a Non-executive Director, and the re-election of Mr. CHEN at the special general meeting of the Company held on 29 December 2022.

Subsequent to the financial year end, the Nomination Committee reviewed at a meeting in March 2023 the structure, size, composition and diversity of the Board, the independence of the Independent Non-executive Directors, the proposal for re-election of Directors at the coming 2023 AGM, the implementation and effectiveness of the Board Diversity Policy, the Nomination Policy and the terms of reference of the Nomination Committee.

The attendance record of each member of Nomination Committee is shown under the section headed "Attendance Record at Board, Board Committees and Shareholders Meetings in 2022".

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Nomination Policy

The Board has adopted a nomination policy (the “**Nomination Policy**”) in December 2018, which was last updated in March 2023, the latest version of which is available on the website of the Company. The Nomination Policy sets out the selection criteria and nomination procedures when considering candidates to be appointed as Directors and re-appointment of existing Directors. In the case of identifying candidate(s) to be appointed as Director, the Nomination Committee shall hold a meeting to consider the candidate(s) identified or selected pursuant to the nomination criteria and make recommendation to the Board if appropriate. The Board shall deliberate and decide on the appointment based upon the recommendation of the Nomination Committee. In the case of re-appointment or re-election of existing Director, the Nomination Committee shall review the overall contribution and service of the retiring Director to the Company and determine whether the retiring Director continues to meet the nomination criteria set out in the Nomination Policy, and if appropriate, recommend the retiring Director to the Board for consideration and recommendation to Shareholders for the proposed re-election of Director at a general meeting. The factors considered in assessing the suitability of a proposed candidate for appointment as Director or re-appointment of existing Director are as follows:

- Reputation for integrity;
- Skills, qualifications, experience, expertise, knowledge, cultural and educational background, gender, age and other qualities required;
- Achievements and experience in property industry, retail industry and/or the related business of the Company;
- Time commitment to the Company;
- Independence (only applies to independent non-executive director); and
- The extent is likely to contribute to the business of the Company and to improve the overall efficiency and performance of the Board.

Board Diversity Policy

In order to maintain its competitive advantage and achieve a sustainable and balanced development, the Company recognises the benefits of having a diverse Board. The Board adopted the Board Diversity Policy in August 2013, which was last updated in March 2023, the latest version of which is available on the website of the Company. The Board Diversity Policy sets out the approach to achieve diversity of the Board members. Under the Board Diversity Policy, selection of candidates for Board appointment is made in accordance with a number of factors, including but not limited to age, gender, work or professional experience, skills and knowledge, cultural and educational background, the Company’s business model and its specific needs from time to time and other objective criteria considered by the Board. Board appointments will be based on merit and the contribution that the chosen candidate(s) will bring to the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews the same on annual basis.

The Nomination Committee will select appropriate candidates for directorship through multiple channels and make recommendation to the Board based on the Board Diversity Policy and the Nomination Policy.

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Board Diversity

The Company recognizes the importance of diversity among its Board members. The Board Diversity Policy requires the Nomination Committee to review the following, and report to the Board:

- the structure, size and composition of the Board; and
- the diversity of background, skills and experience (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board members.

During the year, the Board Diversity Policy was reviewed to ensure its continued effectiveness and confirmed that the current composition of the Board reflects diverse mix of educational background, professional knowledge, industry experience and length of service. The Board also has a balanced composition of executive and non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement and that each of the Non-executive Directors and Independent Non-executive Directors brings his own relevant expertise to the Board.

Our Board currently has no female Director, and the Board has accepted the recommendation from the Nomination Committee to appoint at least one female member to the Board as soon as practicable when suitable candidate(s) are identified, and, in any event, not later than the end of the financial year 2024. In order to achieve gender diversity, the Company would deploy multiple channels for identifying suitable candidates, including referral from Directors, Shareholders, management, advisors and external executive search firms.

As at 31 December 2022, we maintained a 45:55 ratio of women to men in the workforce (including senior management). The Group considered that its workforce was sufficiently diverse in terms of gender taking into account the business and operational needs. In striving to maintain gender diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered. The Group has also established a talent training system, and created a sufficient quantity and quality of talent supply chain for the Group to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees. The Group, being an equal opportunity employer, recognises the value of gender diversity to promote a diverse and inclusive working environment and will consider all relevant factors in making its decision on fitting the right person to the right position without discrimination.

Executive Committee

Members of the Executive Committee are:

Mr. YOU Wei (<i>Chairman</i>)	(<i>Executive Director</i>)	(<i>resigned on 30 September 2022</i>)
Mr. CAO Ronggen	(<i>Executive Director</i>)	

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

The terms of reference of the Executive Committee is published on the website of the Company.

Following the resignation of Mr. YOU Wei as an Executive Director, the Company has only one Executive Director and thus, the powers and functions of the Executive Committee was temporarily taken over by the Board with effect from 30 September 2022.

The attendance record of each member of Executive Committee for the period from 1 January 2022 to 30 September 2022 is shown under the section headed "Attendance Record at Board, Board Committees and Shareholders Meetings in 2022".

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COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has knowledge of the Group's daily affairs. The Company Secretary supports the Board by ensuring good information flow and communications among Directors and that board policy and procedures are followed. The Company Secretary reports to the Chairman and/or General Manager of the Company on corporate governance matters and also facilitates induction and professional development of Directors. The Company Secretary also acts as the secretary to all Board committees. The appointment and removal of the Company Secretary is subject to approval of the Board.

During the year, Ms. HAU Hei Man Sonya was appointed as the Company Secretary on 29 September 2022 following the resignation of Ms. NG Chi Man on 6 September 2022.

During 2022, Ms. HAU attended over 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

With reference to the guidelines relating the risk management and internal control published by the SASAC of the PRC and the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, the Group has established a sound and comprehensive risk management and internal control systems covering all the business units to monitor, assess and manage various risks in the Group's business activities for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The risk management and internal control systems provide reasonable, but not absolute, assurance against material misstatement or loss, and is designed to manage rather than eliminate the risks associated with its business activities.

Risk Management and Internal Control governance

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Group, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and overseeing the systems on an ongoing basis. The Audit Committee assists the Board in leading the management and monitoring, overseeing and reviewing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board.

The management of the Company, responsible for the day-to-day risk management in all departments and subsidiaries of the Company. The strategic/risk management department, assists the management in design and also responsible for supervising, monitoring and centralising the Group's risk management and business and functional units and individuals, act as risk owners to identify, assess, monitor and report risks on a regularly basis.

All business and functional units and individuals of the Group have a role to play in risk management and internal control systems. These roles are defined using the three lines of defence model, which takes into account the Group's business and functional structures.

"Three Lines" of Defence Model

The first line of defence is our business and functional units and individuals, which owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.

The second line of defence is our strategic/risk management department, which sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence on effective risk management.

The third line of defence is our Internal Audit function, which provides independent assurance that our risk management and internal control processes are designed and operating effectively.

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Internal Audit Function

An internal audit department has been established to conduct internal audit of the Group. The internal audit department operates independently and directly reports the audit findings and follow-up status to the Audit Committee on a half-yearly basis. The internal audit department performs internal risk-based audit reviews (such risks would include, amongst others, material risks relating to ESG) for all business units and functions in the Group on a systematic and ongoing basis and carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit department has unrestricted access to all parts of the Group's businesses and direct access to any level of management including the Chairman of the Board and the chairman of the Audit Committee as it considers necessary. Major audit findings and recommendations are reported to the Audit Committee and the Board. The implementation of the agreed actions in response to the identified audit issues are tracked and followed up regularly, and the status is reported to the Audit Committee.

Review of Risk Management and Internal Control Systems Effectiveness

In 2022, the internal audit department reviewed the risk management and internal control systems on a half-yearly basis which the scope of risk assessment inspection covering 190 sub-process of major business units, such as investment management, operational, and projects under construction periods. It identified risks by way of questionnaire completed by selected staff from the senior management down to operation units. The internal audit team evaluated, scored and rated the risks based on their probability of occurrence and impact levels and managed the risks with reference to the risk management guidelines of the Group. A review of the effectiveness of the Group's internal control system covering all material controls, including financial, operational, compliance, and risk management controls, is also conducted. The work of the internal audit department, including its audit findings, the adequacy and effectiveness of the risk management and internal control systems with recommendations and follow-up procedures and results has been summarised and reported to the Audit Committee at the meetings held in March and August 2022.

The Board, through the Audit Committee, has reviewed and concluded that the risk management and internal control systems of the Group are effective and adequate, and that the Company had complied with the Code Provision on risk management and internal control. During the review, the Board also considers that the qualifications and experience of the staff of the Group's accounting, financial reporting and internal audit functions, and the training programmes, budgets and the resources available to these functions have been reviewed and are considered to be adequate.

Although there were no significant areas of concerns identified during the year, the risk management and internal control systems will be reviewed regularly for continuous improvement.

Policies and Guidelines

Policy on Disclosure of Inside Information

The Company has adopted a policy on disclosure of Inside Information (the "**Inside Information Policy**") which contains the principles and procedures for handling and dissemination of price-sensitive information with reference to the requirements and principles set out in the Listing Rules and Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission. All Directors and employees are bound by the Inside Information Policy to safeguard confidential information.

Anti-Corruption Policy

The anti-corruption policy of the Company sets out that the Directors and all employees of the Group are obliged to comply with applicable anti-corruption laws, regulations and codes of declaration of interests to ensure that the reputation of the Group is not undermined by any fraud, disloyalty or corruption and to demonstrate the Group's zero tolerance to corruption. The Company also encourages and expects its business partners/external parties having business dealings with the Group including suppliers, contractors and clients to abide by the principles of this policy.

The policy references principles embodied in the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and all other applicable laws, rules and regulations relating to bribery or corruption of applicable jurisdictions in other countries or regions in which such directors or employees do business to prevent them from engaging in any form of bribery or corruption, money laundering and terrorist fund-raising to set a tone-at-top on anti-fraud commitment and relevant reporting channels.

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Whistleblowing Policy

The Company has established the Whistleblowing Policy for all employees of the Group as well as independent third parties who deal with the Group to directly report to the Audit Committee or the Board for any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. The reported cases will be investigated internally by the Board or the Audit Committee or if delegated by the Board or the Audit Committee, the Company Secretary, the internal audit department, the human resources department or other departments of the Company will investigate in a confidential and timely manner and report the results of investigations to the Audit Committee and the Board.

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

During the year ended 31 December 2022, the remuneration paid or to be payable to the auditor SHINEWING (HK) CPA Limited for audit services and non-audit services were RMB2,250,000 and RMB1,650,000, respectively. Non-audit services fees were mainly for review of the interim report, issuing debt statement, continuing connected transactions and other professional services.

SHINEWING (HK) CPA Limited, the auditor of the Company, acknowledged their reporting responsibilities in the independent Auditor's Report on the audited consolidated financial statements for the year ended 31 December 2022.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

The Board is aware of the applicable requirements under the Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures, and authorises their publication as and when required. The interim and annual results of the Company are published in a timely manner within two months and three months respectively after the end of the relevant periods.

SHAREHOLDERS

Shareholder Rights

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

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

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

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

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

Procedures for Nomination and Election of Director by Shareholders

Pursuant to bye-law 85 of the Bye-laws, if a Shareholder wishes to propose a person other than a retiring Director (the "Candidate") for election as a Director at a general meeting, such Shareholder is required to lodge the following documents (which shall be addressed to the Company Secretary) at the head office (33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong) or the Registration Office (Tricor Progressive Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) within the Notice Period (as defined below):

- (a) a written notice signed by a Shareholder duly qualified to attend and vote at a general meeting, stating the intention to propose the Candidate for election; and
- (b) a written notice signed by the Candidate of his/her willingness to be elected, which includes the information of the Candidate as required to be disclosed pursuant to rule 13.51(2) of the Listing Rules and the Candidate's consent to the publication of such information (collectively referred to as the "Notices for Director's Election").

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

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Company Secretary or e-mail to 207cosec@cofco.com.

Shareholder Engagement and Communications

The Board recognizes the importance of balanced, clear and timely communications with Shareholders and the general investing public (where appropriate) to enable them to keep abreast of the Group's business affairs and development. The Board has taken various steps to maintain ongoing and regular dialogues with Shareholders and the general investing public, including:

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Dividend Policy and Dividend Information

The Company has adopted a dividend policy (the “**Dividend Policy**”). According to the Dividend Policy, the Company intends to declare dividends to Shareholders every year and may declare special dividends from time to time. In deciding Whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group’s distributable profits generated during the year, the liquidity of cash flow, and the retained profits for future development. While sharing the profit with Shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group’s strategy for development. The payment of dividend is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong and the Bye-laws. The Dividend Policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions. Dividend information of the Company during the year is set out in the Directors’ Report of this Annual Report.

Shareholder Communication Policy

The Board established a Shareholder Communication Policy setting out the framework in place to promote effective communication with Shareholders so as to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. The Shareholder Communication Policy ensures that Shareholders and the general investing public (where appropriate) are provided with ready, equal, and timely access to information about the Group, and also allows them to engage actively with the Company.

Communication with Shareholders

The Shareholder Communication Policy sets out various communication channels including, among others, the Company’s Corporate Communication (including financial and other reporting, announcements, circulars, notices and other regulatory disclosures in compliance with the applicable regulatory requirements), the disclosures on the website of the Company, as well as other Investment Community Engagement (including press meetings, result briefings and press meetings and road shows with analysts and investors) and Shareholders Meetings, through which Shareholders, both individual and institutional, may communicate with and provide feedback to the Company from time to time.

Communication with the Company

In addition to the ongoing and regular dialogue with Shareholders and the general investing public as described above, there are multiple avenues for Shareholders to communicate their views on matters affecting the Company and where the Company will solicit and get feedback from Shareholders.

Board or management of the Company through the Company Secretary	Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Company Secretary by mail to Joy City Property Limited, 33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong, or by email to 207cosec@cofco.com.
Investor Relations	Institutional investors and analysts can contact the Group Investor Relations of the Company by mail to Joy City Property Limited, 33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong or by email to 207ir@cofco.com.
Share Registrar	Shareholders should direct any questions about their registered shareholdings by mail to the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to is-enquiries@hk.tricorglobal.com, who has been appointed by the Company to assist Shareholders with share registration and related matters.

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Whistleblowing

The Company provides a mechanism for employees and those who deal with the Group to report to the Company any suspected misconduct or malpractice through confidential reporting channels. The Whistleblowing Policy of the Company sets out the available channels and procedures for anonymous reporting of improprieties.

Every report shall be made in writing by post to Joy City Property Limited, 33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong, for the attention of the Chairman of the Board or the Chairman of the Audit Committee. The Chairman of the Board or the Chairman of the Audit Committee shall then review the report, determine the course of action to pursue, with power to delegate, with respect to the report.

Review of the Implementation and Effectiveness of the Shareholder Communication Policy

The Shareholder Communication Policy was reviewed and updated in 2022 by the Board to ensure its effectiveness in upholding high standards of communication with Shareholders and to reflect current best practice. During the year, the Company has arranged the followings in accordance with the Shareholder Communication Policy and the Bye-laws:

- published the annual reports, interim reports, circulars, announcements, notices and other regulatory disclosures in compliance with the applicable regulatory requirements in a timely manner with the websites of the Stock Exchange and the Company;
- information on the Company, including communication to Shareholders are maintained in website of the Company;
- updated, adopted and published key corporate governance policies on the website of the Company;
- all Shareholders are given opportunities to meet the Directors, senior management and/or auditor and to raise questions at our AGM on 2 June 2022 and SGMs on 12 July 2022 and 29 December 2022;
- all Shareholders are provided contact details and are welcome at all times to give feedback to and communicate with the Directors or management through the Company Secretary, Investor Relations, Share Registrar of the Company and Whistleblowing reporting; and
- all Shareholders are provided information on how to convene SGM and procedures and sufficient contact details for putting forward proposals at Shareholders meetings.

With the above measures in place, the Shareholder Communication Policy are considered to have been effectively implemented during the year.

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum of Association and Bye-laws during the year ended 31 December 2022.

Special Resolution for the proposed amendments to the existing Bye-laws will be proposed at the forthcoming 2023 AGM. Full text of the special resolution will be contained in the notice of the 2023 AGM. A circular containing, inter alia, the amendments to the existing Bye-laws, together with the notice of the 2023 AGM, will be despatched to Shareholders in due course.

Corporate Governance Report

INVESTOR RELATIONS

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

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

In 2022, the Company held the following major investors relationship activities:

Month	Investor/Activity	Type
January	Credit Suisse Securities	Analysts Roadshow
February	Haitong Securities	Online Strategy Conference
March	Essence Fund	Researchers Roadshow
March	Annual Investors Conference	Online
April	CICC	Analysts luncheon
June	CICC	Online Strategy Conference
June	Shenwan Hongyuan	Online Strategy Conference
November	Changjiang Securities	Investment Strategy Conference 2022

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

This Corporate Governance Report takes into account the changes that occurred between the end of 2022 and the date of its approval.

Directors' Report

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2022, which were approved by the Board on 31 March 2023.

PRINCIPAL ACTIVITIES

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

Details and analysis of the main business segments of the Group during the year are set out in the sections of Company Profile, Major Business Structure, Chairman's Statement and note 5 to the consolidated financial statements. A list of the principal activities of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2022 and their particulars are set out in notes 48, 20 and 21 to the consolidated financial statements respectively of this Annual Report.

BUSINESS REVIEW

A fair review of the Group's business as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including indication of likely future development in the Group's business, an analysis of the Group's performance during the year and the particulars of important events affecting the Group that have occurred since the end of the year can be found in the sections of Chairman's Statement, Financial Highlights, Management Discussion and Analysis, Five Years Financial Summary and this section of this Annual Report. Principal risks and uncertainties faced by the Group and details about the financial risk management are set out in Management Discussion and Analysis, note 43 to the consolidated financial statements of this Annual Report and the ESG Report 2022. Save as disclosed hereunder, further discussion and analysis about the Group's environmental policies and performance, compliance with laws and regulations and the Company's relationship with its stakeholders can be found in the relevant sections of the ESG Report 2022.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches importance to balancing the needs of business development and environmental protection. The Group adheres to the concept of "Green Joy City" and green development. The Group has been placing great emphasis on safety, environmental protection and compliance during operation in order to promote collective sustainable development with the community where it operates and to create a greener and cleaner community. In 2022, the Group has achieved its annual environmental protection goals and promoted the upgrading of environmental standards of its operating projects in various aspects, reviewed the effectiveness of such upgrading according to the monitoring of pollutants to reduce the risk of exceeding emissions standards. Detailed discussion and analysis of the Group's environmental policies and performance and work done during the year can be found in the relevant sections of the ESG Report 2022.

STAKEHOLDER RELATIONS

The Group recognizes that the support of stakeholders in the Group is essential. Our major groups of stakeholders include governments and regulators, employees, investors, Shareholders/investors, consumers, suppliers and business partners and community. In 2022, the Group continued its ongoing efforts to engage with its stakeholders through various communication channels to deliver the latest information on our business development and operations in a timely manner, and to understand and respond to their expectations and demands, so as to help us objectively review the issues that need to be addressed and resolved and promote long-term development of the Company. We continued to strengthen the quality and effectiveness of information disclosure and compliance with applicable laws and regulations, with the purpose of establishing mutual trust and win-win relationships. Further discussion and analysis of the Company's key relationships with stakeholders and the communication policy with Shareholders, please refer to the Corporate Governance Report of this Annual Report and the ESG Report 2022.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

As at the date of this Annual Report, the respective progress of the remedial measures taken by the Group in respect of non-compliances relating to the Group or its property projects as disclosed in the Company's circulars dated 30 November 2013 and 5 November 2014, which may be remedied remained substantially the same as described in the Company's annual report published on 29 April 2015.

The Group is committed to ensuring its businesses are operated in compliance with the rules, laws and regulations in Hong Kong, the PRC and other relevant jurisdictions in which the Company and its subsidiaries operate. The Group has in place compliance procedures to monitor and ensure the continuous compliance with laws and regulations. For the year ended 31 December 2022, so far as the Company is aware, the Group has complied with relevant laws and regulations that have significant impacts on the Group in all material aspects, including, in particular, the Companies Act of Bermuda, the Listing Rules, the Takeovers Codes, the Companies Ordinance, the SFO as well as laws and regulations concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption and environmental protection.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 87 to 88 of this Annual Report.

The Board has recommended a final dividend (the **"2022 Final Dividend"**) for the year ended 31 December 2022 of HK1.2 cents per Share (2021: Nil). If approved by Shareholders at the 2023 AGM, the 2022 Final Dividend will be payable in cash, to Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023. Dividend warrants are expected to be despatched to Shareholders on or about Thursday, 6 July 2023.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2022 is set out on page 81 of this Annual Report.

BANK BORROWINGS

Details of movements in the Group's bank borrowings during the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the Company's and the Group's reserves during the year are set out in Notes 49 and 36 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

Directors' Report

DISTRIBUTABLE RESERVES

As at 31 December 2022, the reserves available for distribution of the Company amounted to RMB8,700,612,000. As at 31 December 2022, the Company's share premium in the amount of RMB17,993,202,000 (as at 31 December 2021: RMB17,993,202,000) may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of total turnover for the year ended 31 December 2022 (%)
Top five customers	30.97
Largest customer	23.96
	Percentage of total purchases for the year ended 31 December 2022 (%)
Top five suppliers	15.69
Largest supplier	4.27

To the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholders who owned more than 5% of the number of Shares in issue had any interests in the five largest customers or suppliers at any time during the year ended 31 December 2022.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this Annual Report are as follows:

Executive Directors:

Mr. YOU Wei (*Chairman*) *(Resigned on 30 September 2022)*
Mr. CAO Ronggen

Non-executive Directors:

Mr. CHEN Lang (*Chairman*) *(Appointed on 30 September 2022)*
Mr. MA Dewei
Mr. LIU Yun
Mr. ZHU Laibin

Independent Non-executive Directors:

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

During the year, Mr. CHEN Lang was appointed as a Non-executive Director and the Chairman of the Board following the resignation of Mr. YOU Wei as an Executive Director and the Chairman of the Board. Mr. YOU has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

The Non-executive Directors and Independent Non-executive Directors are appointed with specific terms.

Pursuant to bye-law 84(1) of the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Pursuant to bye-law 84(2) of the Bye-laws, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment. In this regard, Mr. CAO Ronggen, Mr. MA Dewei and Mr. LAM Kin Ming, Lawrence shall retire from office and, being eligible, offer themselves for re-election at the 2023 AGM. Details regarding the re-election are set out in the circular to Shareholders accompanying the notice of the 2023 AGM.

Each Director's profile is set out Directors and Senior Management section of this Annual Report.

The updates (if any) on Directors' information pursuant to rule 13.51B(1) of the Listing Rules subsequent to the date of the 2022 interim report of the Company are set out in the section headed Directors and Senior Management of this Annual Report.

A list of all the Directors who have served on the boards of directors of the Company's subsidiaries during the year and up to the date of this Annual Report is available on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2023 AGM has any service contract with any member of the Group that is not determinable by the Group within one year without compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

No Director had any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2022.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

The Directors' remuneration for the year ended 31 December 2022 is set out in note 14 to the consolidated financial statements.

Details of the emoluments paid to the senior management in 2022 by bands are as follows:

Emolument Band	Number of Individuals
Below RMB1,000,000	0
RMB1,000,000 to RMB1,499,999	4
RMB1,500,000 to RMB1,999,999	0
RMB2,000,000 to RMB2,499,999	0
RMB2,500,000 to RMB2,999,999	0

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

PERMITTED INDEMNITY PROVISION

The Bye-laws provide that the Directors and officers are entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of the duties of their office or otherwise in relation thereto.

The Company has arranged Directors & Officers liability insurance for the Directors and officers of the Company and its subsidiaries, which was in effect throughout the year and remained in effect up to the date of this Annual Report.

Directors' Report

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors/ Chief Executive	Company/Name of associated corporations	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of the issued share capital
Mr. CAO Ronggen	The Company	Beneficial owner	3,451,663	0.02% (Note 2)
Mr. LAM Kin Ming, Lawrence	The Company	Beneficial owner	6,000	0.00% (Note 2)
Mr. CHAN Fan Shing	The Company	Beneficial owner	136,758	0.00% (Note 2)

Notes:

1. Long positions in the Shares or its associated corporations, other than equity derivatives such as share options, warrants or convertible bonds.
2. The percentages (rounded to 2 decimal places) were calculated based on the total number of Shares in issue as at 31 December 2022, i.e. 14,231,124,858 Shares.

Save as disclosed herein, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year ended or as at 31 December 2022 was the Company or any of the Company's subsidiaries or holding companies or any subsidiary of any of the Company's holding companies a party to any arrangement to enable the Directors or their respective associates to acquire benefits by an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the interests and short positions of substantial shareholders in the Shares and underlying shares of the Company as recorded in the register of interests of the Company required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

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

Number of substantial Shareholders	Class of Shares	Number of Shares held	Approximate percentage of the issued share capital (Note 1)
COFCO Corporation	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
COFCO (HK)	Ordinary shares	9,501,359,644 (L) (Note 2)	66.76%
	CPS	1,095,300,778 (L) (Note 3)	100%
Vibrant Oak	Ordinary shares	9,133,667,644 (L) (Note 2)	64.18%
Grandjoy Holdings Group	Ordinary shares	9,133,667,644 (L) (Note 2)	64.18%
Achieve Bloom	Ordinary shares	367,692,000 (L) (Note 2)	2.58%
	CPS	1,095,300,778 (L) (Note 3)	100%
Citigroup Inc.	Ordinary shares	1,112,905,624 (L)	7.82%
		1,112,905,624 (P)	7.82%
GIC Private Limited	Ordinary shares	993,258,000 (L) (Note 4)	6.98%

Notes:

- The percentages (rounded to 2 decimal places) of the Shares were calculated based on the total number of Shares in issue as at 31 December 2022, i.e. 14,231,124,858 Shares, and assuming that 1,095,300,778 CPS were not fully converted into 1,095,300,778 Shares. The percentages of CPS were calculated based on 1,095,300,778 CPS in issue as at 31 December 2022.
- Vibrant Oak, through its non-wholly owned subsidiary, Grandjoy Holdings Group, was deemed to be interested in 9,133,667,644 Shares as at 31 December 2022. COFCO (HK), through its wholly-owned subsidiaries, Achieve Bloom and Vibrant Oak, and through its non-wholly owned subsidiary, Grandjoy Holdings Group, was deemed to be interested in 9,501,359,644 Shares as at 31 December 2022. COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 9,501,359,644 Shares as at 31 December 2022.
- COFCO (HK), through its wholly-owned subsidiary, Achieve Bloom, was deemed to be interested in 1,095,300,778 CPS as at 31 December 2022. COFCO Corporation, through its wholly-owned subsidiary, COFCO (HK), was deemed to be interested in 1,095,300,778 CPS as at 31 December 2022.
- GIC Private Limited held 993,258,000 ordinary shares as investment manager as at 31 December 2022.
- L. Indicates a long position.
- P. Indicates a lending pool.

Save as disclosed herein, as at 31 December 2022, the Company had not been notified of any other persons who had interests or short positions in the Shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS (INCLUDING CONTINUING CONNECTED TRANSACTIONS)

Overview

Hereunder is the information in relation to connected transactions and continuing connected transactions that existed during the year ended 31 December 2022 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules, mainly comprising of transactions between the Company and the COFCO Group (which for the purpose of this section, includes the associates of COFCO Corporation).

The Connected Persons

COFCO Corporation is indirectly holding 66.76% of the issued share capital of the Company as at 31 December 2022 and is the controlling shareholder of the Company. COFCO Corporation, together with other members of the COFCO Group and their respective associates, will continue to be the Company's connected persons under Chapter 14A of the Listing Rules. COFCO Corporation is a state-owned enterprise incorporated in the PRC under the purview of SASAC. COFCO Corporation is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal byproducts, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

I. Connected Transaction

Extension of Financial Assistance

On 23 December 2022, Shanghai Yueyao Development Co., Ltd.* (上海悅耀置業發展有限公司) ("Shanghai Yueyao"), a company incorporated in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company and Shanghai Qiantan International Commercial Area Investment Group Co., Ltd.* (上海前灘國際商務區投資(集團)有限公司) ("Shanghai Qiantan"), a company incorporated in the PRC and a substantial shareholder of Shanghai Yueyao, entered into a loan agreement (the "**2022 Loan Agreement**") in respect of the extension of the Loan (as defined below). Pursuant to which, Shanghai Yueyao has agreed to provide unsecured revolving loan facilities in the aggregate amount of not more than RMB1,100,000,000 (the "**Loan**") to Shanghai Qiantan. The Loan period of the 2022 Loan Agreement is from 27 December 2022 to 26 December 2023. Save for the Loan Period, the terms and conditions of the 2022 Loan Agreement are mainly based on the loan agreement entered into between Shanghai Yueyao and Shanghai Qiantan on 16 December 2021. Shanghai Qiantan may draw down and repay in whole or in part the Loan in accordance with the terms and conditions of the 2022 Loan Agreement during the Loan Period, provided that the aggregate amount drawn down under the Loan at any time during the Loan Period does not exceed RMB1,100,000,000. Details are set out in the announcement and the circular of the Company dated 23 December 2022 and 17 February 2023, respectively.

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

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

Directors' Report

II. Continuing Connected Transactions

Set out below is a summary of the continuing connected transactions of the Company during the year ended 31 December 2022 (collectively, the "Continuing Connected Transactions"):

- (a) Leasing of properties to the COFCO Group
- (b) Provision of hotel and property management services by the COFCO Group to the Group
- (c) Sourcing of staple supplies, catering services and other ancillary services from the COFCO Group
- (d) Financial Services

Details of Continuing Connected Transactions

(a) Leasing of properties to the COFCO Group

As at 31 December 2022, certain members of the Group entered into various lease agreements for the leasing of commercial premises to COFCO Group. These leased properties are generally occupied by relevant members of the COFCO Group as their headquarters, offices, sales offices or for other commercial uses.

The Company considers that the leasing of the commercial premises to the COFCO Group is conducted in the Company's ordinary and usual course of business based on the commercial needs of the Company and the COFCO Group. To better regulate the arrangements, the Company entered into the Master Lease Agreement on 29 November 2013, followed by four supplemental agreements on 3 November 2014, 21 December 2016, 30 December 2019 and 21 November 2022, respectively, to further extend its term to 31 December 2025, with COFCO Corporation to govern the terms of the lease arrangements between the Company and the COFCO Group.

The 2022 Annual Caps and the actual amounts for the rent and management fees payable under the Master Lease Agreement during the year are set out below:

Annual Caps (financial year ended 31 December 2022) (RMB'000)	Actual Amounts (financial year ended 31 December 2022) (RMB'000)
260,000	146,737

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

Directors' Report

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

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

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

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

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

Directors' Report

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

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

Annual Caps (financial year ended 31 December 2022) (RMB'000)	Actual amounts (financial year ended 31 December 2022) (RMB'000)
135,000	60,912

The Company considers that the Group will receive stable hotel and property management services with better quality from the COFCO Group. To better regulate the arrangements, the Company and COFCO Corporation entered into the Master Property Management Agreement on 29 November 2013, followed by four supplemental agreements on 3 November 2014, 21 December 2016, 30 December 2019 and 21 November 2022, respectively, to further extend its term to 31 December 2025, to govern the terms of the provision of hotel and property management services.

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

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

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

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

The Company considers that it will be beneficial to the Group to continue to source staple supplies and catering services from the COFCO Group as it will allow the Group to benefit from bulk purchase discounts and ensure a stable and reliable staple supply and provision of services which is crucial for its property and hotel business. To better regulate the arrangements, the Company entered into the Master Sourcing Agreement on 29 November 2013 with COFCO Corporation for the supply of staple supplies and catering services by the COFCO Group to the Group, followed by four supplemental agreements on 3 November 2014, 21 December 2016, 30 December 2019 and 21 November 2022, respectively, to further extend its term to 31 December 2025.

Directors' Report

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

Annual Caps (financial year ended 31 December 2022) (RMB'000)	Actual amounts (financial year ended 31 December 2022) (RMB'000)
37,000	5,079

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

Common Terms of the Master Agreements

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

Term: Each Master Agreement was approved by the Independent Shareholders at the SGM dated 18 December 2013, and has become effective from 19 December 2013 to 31 December 2016, and extended and supplemented by four supplemental agreements to further extend its term to 31 December 2025, which can be renewed on terms to be agreed upon between the Company and COFCO Corporation subject to compliance with the applicable provisions of the Listing Rules.

Framework agreement: The Master Agreements are framework agreements which contain general terms and conditions upon which the Group and the COFCO Group are to carry out the particular type of transaction contemplated thereunder. Members of the Group and the COFCO Group may from time to time enter into specific agreements in respect of the leases, services and/or products to be provided or received by the Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the relevant Master Agreement. The actual services and/or products to be provided or received by the Group are subject to such detailed agreements entered into between the relevant members of the Group and the COFCO Group from time to time during the terms of the Master Agreements.

Directors' Report

Pricing basis:

The purchase amounts, rent and service fees payable under each of the Master Agreements by the Group or the COFCO Group (as the case may be) are to be agreed and determined on an arm's length basis between the relevant members of the Group and the COFCO Group from time to time, which shall be comparable to, or no less favourable to the Group than, the fair market rents or market prices for similar products and services offered by independent third parties to the Group or by the Group to independent third parties.

The relevant member of the Group shall, before it enters into specific agreements in respect of the leases, services and/or products pursuant to the Master Agreements,

- (a) when the price is the sole determining factor: (i) obtain quotations from not less than two independent third party suppliers of the same or similar products and/ or services required by the Group; or (ii) request COFCO Group to provide it with not less than two records of same or similar products and/or services offered by it to other customers, and in such case the purchase amounts rent and service fees payable by the Group and other relevant conditions under the Master Agreements shall not be less favourable from the Group's perspective than those quotations or records (as the case may be); or
- (b) when the price is one of the determining factors, conduct negotiations and, if necessary, obtain relevant quotation and/or pricing record to determine the overall terms of the transaction on an arm's length basis.

Termination:

The Master Agreements may be terminated by either party giving the other party a written notice not less than 30 days before the intended date of termination.

(d) Financial Services

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

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

Directors' Report

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

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

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

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

CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that all the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to their respective agreements governing them on the terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Directors' Report

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to rule 14A.56 of the Listing Rules, the Board engaged SHINEWING (HK) CPA Limited, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. Based on the work performed, the auditor has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

- a. the Continuing Connected Transactions have not been approved by the Board;
- b. the Continuing Connected Transactions were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- c. the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- d. the aggregate amount in respect of the Continuing Connected Transactions have exceeded the annual cap as set by the Company.

CONTRACT(S) OF SIGNIFICANCE

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

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

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

Directors' Report

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

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

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

Directors' Report

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

On 17 October 2022, Bapton, an indirect wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a facility agreement (the "**Facility Agreement**") with a group of financial institutions as lenders (the "**Lenders**") in respect of a multi tranche term loan facility of US\$423,000,000 (the "**Facility**"). The Facility has three tranches, a US\$173,000,000 facility ("**Tranche A Facility**"), a US\$150,000,000 facility ("**Tranche B Facility**") and a US\$100,000,000 facility ("**Tranche C Facility**"). Tranche A Facility has a tenor of 36 months commencing from the date of the Facility Agreement ("**Agreement Date**"), and Tranche B Facility and Tranche C Facility each has a tenor of 60 months from the Agreement Date. Pursuant to the Facility Agreement, if COFCO Corporation (a) is not or cease to be, directly or indirectly, the single largest shareholder of the Company; and/or does not or cease to have management control over the Company; and/or (b) COFCO Corporation is not or ceases to be majority owned or otherwise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or China Central Government, it would constitute an event of default upon which all or any part of the amount of the loan committed by the Lenders shall be cancelled and be reduced to zero; and/or all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding shall be immediately due and payable. Details are set out in the announcement dated 17 October 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2022.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

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

The major terms of the CPS are as follows:

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

Directors' Report

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

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

NON-COMPETITION UNDERTAKING

Pursuant to the Non-Competition Undertaking, COFCO Corporation has undertaken in favour of the Company for itself and on behalf of its subsidiaries during the term of the Non-Competition Undertaking, COFCO Corporation shall not, and shall procure that none of its subsidiaries (excluding Grandjoy Holdings Group and its subsidiaries) shall, directly or indirectly, whether as principal or agent, and whether undertaken solely or jointly and whether through intermediate holding companies or otherwise, carry on, engage, invest, participate or otherwise be interested in any business or company which is directly or indirectly engaged in the Restricted Business in competition with the Group in the PRC and Hong Kong. After review of all relevant information on 31 December 2022, the Independent Board Committee considered that COFCO Corporation had complied with the Non-Competition Undertaking for the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 41 to 60 of this Annual Report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 46 to the consolidated financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to RMB2,364,000 (2021: RMB21,628,200).

TAX RELIEF AND EXEMPTION

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in respect of CPS above and in note 35 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year.

EVENTS AFTER THE END OF THE YEAR UNDER REVIEW

Save as disclosed in the respective relevant parts of this Annual Report and the Company's announcements in relation to (1) the provision of financial assistance dated 18 January 2023 and 20 February 2023, respectively; (2) acquisition of land use rights in Nanjing, the PRC dated 17 March 2023; (3) disclosure pursuant to rule 13.18 of the Listing Rules dated 21 March 2023; (4) approval for the issue of domestic corporate bonds by the China Securities Regulatory Commission; and (5) the provision of guarantee in favour of a bank for 20% of the payment obligations of a project company under a financing agreement in proportion to the equity interest in the project company indirectly owned by the Company dated 27 March 2023, there was no other important event or transaction affecting the Group and which is required to be disclosed by the Company to its Shareholders after 31 December 2022 and up to the date of this Annual Report.

Directors' Report

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report of this Annual Report.

AUDITOR

SHINEWING (HK) CPA Limited is the auditor of the Company and to hold office until the conclusion of the 2023 AGM. SHINEWING (HK) CPA Limited shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company will be proposed for approval by Shareholders at the 2023 AGM.

ON BEHALF OF THE BOARD

CHEN Lang
Chairman

31 March 2023

Five Years Financial Summary

	2022 RMB'000	For the year ended 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Consolidated results revenue	20,831,357	12,313,297	14,109,832	10,337,768	8,128,914
Profit for the year attributable to owners of the Company	530,773	591,666	1,104,533	1,635,906	2,103,271

	2022 RMB'000	As at 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Consolidated assets and liabilities					
Total assets	140,003,492	131,020,391	124,167,334	110,977,370	98,860,489
Total liabilities	81,914,214	73,000,971	70,572,441	61,139,477	53,689,705
Total equity	58,089,278	58,019,420	53,594,893	49,837,893	45,170,784
Equity attributable to owners of the Company	29,924,332	29,858,111	29,447,710	29,035,061	28,209,016

Independent Auditor's Report



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF JOY CITY PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Joy City Property Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 219, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

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

Any changes to these inputs may have a significant impact on the fair value of the Group's investment properties. Management has determined the fair value of the Group's investment properties at 31 December 2022 with the assistance of an independent external valuer.

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

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

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

Revenue from sales of properties

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

Details of revenue from sales of properties and accounting policies are set out in Note 5, 3 and 4, respectively, to the consolidated financial statements.

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

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

Independent Auditor's Report

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

31 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5	20,831,357	12,313,297
Cost of sales and services rendered	10	(14,424,999)	(7,599,709)
Gross profit		6,406,358	4,713,588
Other income	6	340,982	297,531
Other gains and losses, net	7	(311,977)	(122,800)
Impairment losses under expected credit loss model, net of reversal	8	(102,410)	(308,482)
Distribution and selling costs		(851,314)	(738,283)
Administrative expenses		(865,073)	(914,879)
Fair value (loss)/gain on:			
Investment properties	16	(782,608)	167,489
Financial liabilities at fair value through profit or loss		(9,628)	(19,376)
Finance costs	9	(1,251,797)	(853,721)
Share of (losses)/profits of associates	20	(40,226)	35,692
Share of profits of joint ventures	21	68,164	202,080
Profit before tax	10	2,600,471	2,458,839
Income tax expense	11	(1,499,893)	(973,957)
Profit for the year		1,100,578	1,484,882
Profit for the year attributable to:			
Owners of the Company		530,773	591,666
Holders of perpetual capital instruments		334,593	353,102
Non-controlling interests		235,212	540,114
		1,100,578	1,484,882
Basic and diluted earnings per share	13	RMB3.5 cents	RMB3.9 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit for the year	1,100,578	1,484,882
Other comprehensive (expense)/income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation	(596,491)	76,683
Fair value gain on hedging instruments for cash flow hedges	308,415	162,502
Other comprehensive (expense)/income for the year net of income tax	(288,076)	239,185
Total comprehensive income for the year	812,502	1,724,067
Total comprehensive income for the year attributable to:		
Owners of the Company	233,145	815,368
Holders of perpetual capital instruments	334,593	353,102
Non-controlling interests	244,764	555,597
	812,502	1,724,067

Consolidated Statement of Financial Position

At 31 December 2022

		At 31 December	
	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	63,155,846	61,157,220
Property, plant and equipment	17	3,088,938	3,283,793
Right-of-use assets	18	1,530,879	1,614,264
Intangible assets	19	109,946	107,732
Interests in associates	20	750,483	117,264
Interests in joint ventures	21	6,323,625	6,229,516
Loans to associates	23	2,432,941	832,613
Loan to a non-controlling interest	23	147,000	–
Financial assets at fair value through profit or loss		510	510
Goodwill		184,297	184,297
Deposits	26	158,575	185,892
Deferred tax assets	22	314,755	186,345
Hedging instruments		241,852	–
		78,439,647	73,899,446
CURRENT ASSETS			
Inventories		14,666	14,176
Properties held for sale	24 (a)	4,615,638	7,597,916
Properties under development for sale	24 (b)	33,417,306	32,691,200
Accounts receivable	25	117,615	120,189
Contract costs		85,518	68,839
Deposits, prepayments and other receivables	26	2,886,192	3,063,217
Amounts due from fellow subsidiaries	27	25,613	52,127
Amounts due from non-controlling interests	27	51,574	48,659
Amounts due from joint ventures	27	38,079	33,434
Amounts due from associates	27	743,737	652,931
Loans to associates	23	1,015,816	771,938
Loan to a non-controlling interest	23	995,000	1,020,000
Tax recoverable		414,307	500,476
Hedging instruments		157,123	230
Restricted bank deposits	28	84,892	127,216
Pledged deposits	28	5,402	5,500
Cash and bank balances	28	16,895,367	10,352,897
		61,563,845	57,120,945
TOTAL ASSETS		140,003,492	131,020,391

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	At 31 December	
		2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Accounts payable	29	6,004,257	5,276,556
Other payables and accruals	30	6,873,925	5,355,517
Contract liabilities	33	11,185,853	12,320,127
Lease liabilities		85,076	60,466
Amount due to the ultimate holding company	27	8	28
Amounts due to intermediate holding companies	27	17,591	660
Amount due to the immediate holding company	27	–	15,550
Amounts due to non-controlling interests	27	194,222	367,599
Amounts due to associates	27	511,904	202,510
Amounts due to joint ventures	27	250,190	336,707
Amounts due to fellow subsidiaries	27	287,899	94,469
Loans from fellow subsidiaries	23	221,649	996,486
Loans from non-controlling interests	23	1,833,015	1,953,326
Loan from a joint venture	23	–	2,524,800
Loan from a third party	23	25,560	1,211,694
Bank borrowings	31	4,935,955	8,400,146
Income tax and land appreciation tax payables		1,014,592	708,889
Deferred income		1,551	1,538
Bonds payable	32	1,017,676	1,576,267
Hedging instruments		–	118,840
		34,460,923	41,522,175
NET CURRENT ASSETS		27,102,922	15,598,770
TOTAL ASSETS LESS CURRENT LIABILITIES		105,542,569	89,498,216

Consolidated Statement of Financial Position

At 31 December 2022

		At 31 December	
	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	30	966,378	994,181
Lease liabilities		117,738	188,003
Loans from a fellow subsidiary	23	1,068,500	768,558
Loans from third parties	23	7,898,800	6,372,633
Loan from a joint venture	23	5,574,800	–
Loans from non-controlling interests	23	821,872	–
Bank borrowings	31	19,406,417	12,776,484
Deferred tax liabilities	22	8,092,699	7,930,053
Bonds payable	32	2,962,245	2,409,314
Hedging instruments		–	39,570
Amount due to a non-controlling interest	27	4,842	–
Amount due to a joint venture	27	539,000	–
		47,453,291	31,478,796
NET ASSETS		58,089,278	58,019,420
CAPITAL AND RESERVES			
Share capital	34	1,122,414	1,122,414
Reserves	36	28,801,918	28,735,697
Equity attributable to owners of the Company		29,924,332	29,858,111
Perpetual capital instruments	37	7,245,471	8,311,498
Non-controlling interests		20,919,475	19,849,811
TOTAL EQUITY		58,089,278	58,019,420

The consolidated financial statements on pages 87 to 219 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

CHEN Lang
DIRECTOR

CAO Ronggen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Ordinary share capital	Share premium	Non redeemable convertible preference shares	Special reserve	Other reserve	Capital reserve	Statutory reserve	Property revaluation reserve	Foreign currency translation reserve	Retained profits	Sub-total	Perpetual capital instruments		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))	(Note (a))	(Note (a))	(Notes (a) and (e))	(Note (b))	(Note (c))	(Note (d))					(Note 37)		
(Note 34)			(Note 35)											
At 1 January 2022	1,122,414	17,993,202	1,722,317	(20,801,408)	2,693,537	6,140,228	1,333,495	76,497	54,085	19,523,744	29,858,111	8,311,498	19,849,811	58,019,420
Profit for the year	-	-	-	-	-	-	-	-	-	530,773	530,773	334,593	235,212	1,100,578
Other comprehensive (expense)/income for the year	-	-	-	-	298,863	-	-	-	(596,491)	-	(297,628)	-	9,552	(288,076)
Total comprehensive (expense)/income for the year	-	-	-	-	298,863	-	-	-	(596,491)	530,773	233,145	334,593	244,764	812,502
Interest paid on perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(132,620)	-	(132,620)
Repayment of perpetual capital instruments (Note f)	-	-	-	-	-	-	-	-	-	-	-	(2,768,000)	-	(2,768,000)
Issue of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-	1,500,000
Statutory reserve appropriation	-	-	-	-	-	-	232,206	-	-	(232,206)	-	-	-	-
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,057,708	1,057,708
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(242,377)	(242,377)
Others	-	-	-	-	(9,320)	(157,604)	-	-	-	-	(166,924)	-	9,569	(157,355)
At 31 December 2022	1,122,414	17,993,202	1,722,317	(20,801,408)	2,983,080	5,982,624	1,565,701	76,497	(542,406)	19,822,311	29,924,332	7,245,471	20,919,475	58,089,278

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Notes:

- (a) Issued equity comprises ordinary share capital of Joy City Property Limited (the “Company”), share premium, non-redeemable convertible preference shares (“CPS”) and special reserve.
- (b) Other reserve mainly included (i) balances arising from merger accounting for business combinations involving entities under common control of RMB288,561,000 in 2012 and RMB2,617,690,000 in 2013 and offset with obligation arising from a put option to non-controlling shareholder of RMB336,470,000 in 2018 (Note 30) and (ii) differences between cash considerations paid for the acquisition of additional interest in certain subsidiaries and the carrying amounts of the net assets attributable to the acquired interests from the non-controlling shareholders.
- (c) Capital reserve mainly included capital contribution from COFCO Corporation, the ultimate holding company of the Company, of which included capital contribution of RMB4,208,294,000 to a subsidiary of the Company during the year ended 31 December 2012.

During 2016, the Group (see definition in Note 1) disposed of 49% of its equity interests in Fortune Set Limited (“Fortune Set”), Sunny Ease Limited (“Sunny Ease”) and Vivid Star Limited (“Vivid Star”) respectively, resulting in reducing its equity interests in these three subsidiaries to 51%. The proceeds on disposal of RMB9,443,143,000 were received in cash. An amount of RMB7,802,203,000 (being the proportionate share of the carrying amount of net assets of these three subsidiaries, respectively) has been transferred to non-controlling interests. The difference of RMB1,640,940,000 between the increase in the non-controlling interests and the consideration received has been adjusted to capital reserve of the Group. During the year ended 31 December 2022 the Group incurred additional income tax of approximately RMB157,605,000 in relation to the disposal and adjusted to the capital reserve of the Group.

- (d) The amount mainly represents statutory reserve of the companies registered in the People’s Republic of China (the “PRC”). According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years’ losses, if any, and is non-distributable other than upon liquidation.
- (e) On 19 December 2013, a very substantial acquisition, connected transaction and reverse takeover involving a new listing application of the Company was completed. The Company acquired from COFCO Land Limited (“COFCO Land”), a fellow subsidiary, the equity interests in certain subsidiaries of COFCO Land (collectively “COFCO Land Subsidiaries”) and the shareholder’s loan of HK\$3,329 million (equivalent to approximately RMB2,618 million) which were outstanding and owing by certain of the COFCO Land Subsidiaries to COFCO Land immediately before the completion of the acquisition of the COFCO Land Subsidiaries (together with the acquisition of the COFCO Land Subsidiaries), by the allotment and issue of 5,988,199,222 ordinary shares of the Company at the issue price of HK\$2.00 each and 1,095,300,778 new CPS of the Company at the issue price of HK\$2.00 each to Achieve Bloom Limited, the then immediate holding company of the Company, and COFCO Land (“Reverse Takeover Transaction”). Special reserve at the reporting date included balances arising on the Reverse Takeover Transaction completed in December 2013 of RMB11,138,521,000.
- (f) The Group repaid perpetual capital instruments with principal amount of RMB27,680,000,000 (2021: RMB1,556,661,500) during the current year.
- (g) During the year ended 31 December 2021, the Group acquired additional 8.36% equity interest in Taiwan Hotel Limited, a subsidiary of the Company from its ultimate holding company for a consideration of approximately RMB83,700,000. Upon the completion of the transaction, the Group held 100% of Taiwan Hotel Limited.
- (h) During the year ended 31 December 2021, the non-controlling interests injected capital to a subsidiary of RMB3,266,350,000, of which RMB540,000,000 was made in form of a non-cash deposit transferred from the non-controlling interest relating to an acquisition of a land use right (included in properties under development for sale).

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,600,471	2,458,839
Adjustments for:		
Finance costs	1,251,797	853,720
Interest income	(291,048)	(265,881)
Share of losses/(profits) of associates	40,226	(35,692)
Share of losses of joint ventures	(68,164)	(202,080)
Amortisation of intangible assets	10,965	13,529
Depreciation of right-of-use assets	72,124	71,035
Depreciation of property, plant and equipment	200,195	223,699
Fair value loss/(gain) on:		
investment properties	782,608	(167,488)
financial liabilities at fair value through profit or loss	9,628	19,376
Recognition of impairment loss on accounts receivable, net	9,852	7,248
Recognition of impairment loss on other receivables, net	3,542	1,795
Recognition of impairment loss on non-controlling interests, net	71	–
Recognition of impairment loss on fellow subsidiaries, net	7,336	–
Recognition of impairment loss on joint ventures, net	45,764	–
Recognition of impairment loss on loan to an associate	35,845	299,439
Exchange loss/(gain), net	249,113	(308,627)
Changes in the acquisition of non-controlling shares of subsidiaries	–	(23,819)
Impairment loss on property, plant and equipment	–	62,692
Impairment loss on properties held for sale	209,114	–
Impairment loss on properties under development for sale	81,972	266,643
Loss/(gain) on disposal of property, plant and equipment, net	2,043	(86,125)
Loss on disposal of intangible assets, net	–	2,529
Gain on disposal on subsidiary	(10,314)	–
Impairment loss of right of use assets, net	–	13,227
Operating cash flows before movements in working capital	5,243,140	3,204,059

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES – continued		
(Increase)/decrease in inventories	(490)	10,269
Decrease in properties held for sale	13,613,129	6,294,412
Increase in properties under development for sale	(11,288,538)	(15,728,459)
(Increase)/decrease in accounts receivable	(7,278)	46,042
(Increase)/decrease in contract costs	(16,679)	360
Decrease/(increase) in deposits, prepayments and other receivables	266,362	(227,631)
Increase in amounts due from non-controlling interests	–	(7,116)
Increase in amounts due to non-controlling interests	30,595	19,875
Increase/(decrease) in accounts payable	495,025	(1,492,465)
(Decrease)/increase in contract liabilities	(1,134,274)	3,727,329
Increase/(decrease) in other payables and accruals	388,022	(10,866)
(Decrease)/increase in rental deposits received	(36,766)	164,457
Decrease in restricted bank deposits	42,324	57,824
Decrease in amount due from an intermediate holding company	(114)	–
Decrease in amount due to the ultimate holding company	(20)	(318)
Increase in amounts due from fellow subsidiaries	(9,663)	(27,580)
Increase in amounts due from joint ventures	1,762	–
Increase/(decrease) in amounts due to fellow subsidiaries	51,532	(97,558)
Interest received	140,605	143,318
Increase in deposits paid	27,317	220
Increase/(decrease) in deferred income	13	(5,154)
Cash generated from/(used in) operations	7,806,004	(3,928,982)
PRC Enterprise Income Tax and Hong Kong Profits Tax paid	(863,401)	(1,103,098)
Land Appreciation Tax paid	(365,995)	(184,658)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	6,576,608	(5,216,738)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(31,470)	(44,510)
Payments for right-of-use assets/leasehold land and land use rights (Note 18)	(894)	(55,399)
Payments for intangible assets	(13,179)	(4,681)
Payments for investment properties	(1,304,496)	(2,485,660)
Proceeds on disposal of property, plant and equipment	5,882	146,760
Proceeds on disposal of investment properties	2,902	2,777
Capital injection to associates	(983,839)	–
Loans to an associate	(2,560,981)	–
Proceeds from repayment of loans to associates	1,061,797	–
Loan to non-controlling interests	(147,000)	–
Repayment of loan to non-controlling interests	25,000	80,000
Proceeds from disposal of subsidiaries	5,942	33,010
Repayment of loans to joint ventures	–	166,440
Payment to a third party on acquisition of a joint venture	–	(416,232)
Increase in deposits paid for land acquisition for investment properties	–	(51,686)
Increase in amounts due from non-controlling interests	57,616	3,434
Increase/(decrease) in amounts due from joint ventures	824	(29,801)
Capital injection to a joint venture	(25,600)	(85,000)
Increase in amount due from associates	18,259	–
Proceed from disposal of equity investment at fair value through profit or loss	1,617	–
Decrease in pledged deposits	98	2,415
NET CASH (USED IN) INVESTING ACTIVITIES	(3,887,522)	(2,738,133)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES		
Interest paid	(1,191,238)	(1,072,552)
Repayment of perpetual capital instruments	(2,768,000)	(1,556,662)
Repayment of bonds payable	(1,491,050)	(732,212)
Issuance of perpetual capital instruments	1,500,000	2,487,825
Issuance of bonds	1,494,812	–
Interest paid on perpetual capital instruments	(132,620)	(131,400)
Interest paid on bonds payable	(143,964)	(175,358)
Repayments of amount due to non-controlling interest	(6,686)	(1,121,326)
Proceeds from bank borrowings	12,733,006	6,408,432
Repayments of bank borrowings	(11,102,985)	(9,626,331)
Loans from fellow subsidiaries	700,000	700,000
Repayments of loans from fellow subsidiaries	(1,193,078)	(370,840)
Repayments of leases liabilities	(81,462)	(48,640)
Repayments to joint ventures	(19,555)	(26,297)
Acquisition of additional interest of a subsidiary from non-controlling interests	–	(83,700)
Repayment to associate	(99,610)	–
Advance from a joint venture	305,000	294,000
Advance from an associate	408,233	713
Repayments to fellow subsidiaries	(35,837)	(150,430)
Loans from non-controlling interests	1,963,162	1,780,010
Repayments of loans from non-controlling interests	(1,261,601)	(621,655)
Loans from joint ventures	3,050,000	2,250,000
Loans from third parties	350,000	2,451,000
Repayment of loan from a third party	(19,440)	(7,200)
Dividends paid	–	(381,136)
Dividends paid to non-controlling interests	(242,377)	(739,282)
Contribution from non-controlling interests	1,057,958	2,726,350
NET CASH FROM FINANCING ACTIVITIES	3,772,668	2,253,309
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,461,754	(5,701,562)
Cash and cash equivalents at beginning of year	10,352,897	16,049,627
Effects of exchange rate changes on the balance of cash and bank balances held in foreign currencies	80,716	4,832
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,895,367	10,352,897
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and bank balances	16,866,904	10,325,072
Non-pledged time deposit	28,463	27,825
Cash and bank balances as stated in the consolidated statement of financial position	16,895,367	10,352,897

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Joy City Property Limited (the “Company”) was incorporated in Bermuda with limited liability and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (the “Group”) are principally investment holding, property investment and development and hotel operations.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statement – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.1 Basis of preparation of consolidated financial statements (continued)

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment properties

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Investment properties (continued)

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

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the property is derecognised.

Intangible assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Intangible assets (continued)

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

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

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interest in leasehold land and buildings

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Properties under development/held for sale

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

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

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

At the end of reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

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

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

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

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of application of HKFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

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

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

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

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

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at fair value. It is subsequently measured at the higher of:

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

Derecognition of financial liabilities

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

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

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

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

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

Assessment of hedging relationship and effectiveness

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

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

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

Discontinuation of hedge accounting

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

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

Leases

Definition of a lease

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

The Group as a lessee

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment, furniture and fixtures and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

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

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Leases (continued)

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Inventories

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

Provision

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and in further exclude items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Output method

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

Existence of significant financing component

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

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

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs

Incremental costs of obtaining a contract

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

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

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Critical judgments in applying accounting policies (continued)

Deferred tax on investment properties

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

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Key sources of estimation uncertainty

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

Valuation of investment properties

Investment properties are measured at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss. The fair value of investment properties at 31 December 2022 was RMB63,155,846,000 (2021: RMB61,157,220,000), details are set out in Note 16.

Land appreciation tax ("LAT")

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

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

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

The aggregate carrying amount of properties held for sale as at 31 December 2022 was RMB4,658,192,000 (2021: RMB7,597,916,000). The aggregate carrying amount of properties under development for sale as at 31 December 2022 was RMB33,374,752,000 (2021: RMB32,691,200,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION

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

The Group is organised into certain business units according to the nature of goods sold or services provided. The operating segments of the Group are determined by the Directors based on the business units by reference to the goods sold or services provided. These business units are the basis of internal reports provided to the Executive Directors, the chief operating decision maker ("CODM"), for the purpose of resource allocation and performance assessment. In the current period, information reported to CODM for the purposes of performance assessment and resource allocation had been re-categorised. Segment of "output management project and other services" reported in the prior periods has been disaggregated into new segments of "output management project" and "other services" in accordance with the information reported to CODM. Comparative figures are re-presented to conform with changes in presentation in the current period.

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

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

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Property investment and development:		
Rental income from investment properties and related services	3,492,923	4,055,875
Sales of properties held for sale	16,483,682	7,149,317
Output management project	167,816	179,961
Other service income	133,237	161,752
	20,277,658	11,546,905
Hotel operations:	553,699	766,392
Total revenue	20,831,357	12,313,297
Revenue from contract with customers	17,927,330	8,794,012
Leases	2,904,027	3,519,285
Total revenue	20,831,357	12,313,297

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2022

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers	588,896	16,483,682	553,699	167,816	133,237	17,927,330
Geographical markets						
Mainland China	573,729	16,483,682	553,699	124,764	131,511	17,867,385
Hong Kong	15,167	–	–	43,052	1,726	59,945
	588,896	16,483,682	553,699	167,816	133,237	17,927,330
Timing of revenue recognition						
A point in time	–	16,483,682	126,917	–	–	16,610,599
Over time	588,896	–	426,782	167,816	133,237	1,316,731
	588,896	16,483,682	553,699	167,816	133,237	17,927,330

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

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Revenue from contracts with customers						
External customers	588,896	16,483,682	553,699	167,816	133,237	17,927,330
Inter-segment	15,718	–	302	84,279	46,621	146,920
Total	604,614	16,483,682	554,001	252,095	179,858	18,074,250
Rental revenue	2,915,841	–	–	–	–	2,915,841
Rental adjustments	(11,814)	–	–	–	–	(11,814)
Revenue from rental total	2,904,027	–	–	–	–	2,904,027
Inter-segment elimination	(15,718)	–	(302)	(84,279)	(46,621)	(146,920)
Revenue disclosed in segment information	3,492,923	16,483,682	553,699	167,816	133,237	20,831,357

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2021

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers

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

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

The Group receives 20% ~100% (2021: 20% ~100%) of the contract value as deposits from customers when they sign the sale and purchase agreement. This will give rise to contract liabilities until the completed property is transferred to the customers. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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

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

Property management related services, hotel room operation and other services

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021, and the expected timing of recognising revenue are as follows:

	Sales of properties Year ended at 31 December	
	2022 RMB'000	2021 RMB'000
Within one year	5,971,559	10,352,614
More than one year but not more than two years	7,371,449	3,119,270
	13,343,008	13,471,884

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

(iv) Leases

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Total revenue arising from operating lease		
Lease payments that are fixed or linked to the performance of lessees	2,904,027	3,519,285

Information regarding the segments is reported below.

For the year ended 31 December 2022

Segment revenue and segment results

Year ended 31 December 2022

[illegible]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and segment results (continued)

Year ended 31 December 2021

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

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

Segment revenue represents revenue earned by each segment without rental adjustments for property letting relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease. Segment results represent the profit earned/loss incurred by each segment without allocation of certain items incurred for management purpose, including certain other income, certain other gains and losses, certain administrative expenses, finance costs, share of profits/losses of associates and joint ventures and impairment loss recognised on loans to an associate and other receivables. The above is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Geographical information

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

	Year ended at 31 December	
	2022 RMB'000	2021 RMB'000
Mainland China	20,715,893	12,197,450
Hong Kong	115,464	115,847
	20,831,357	12,313,297

Information about the Group's non-current assets by location is detailed below.

	Year ended at 31 December	
	2022 RMB'000	2021 RMB'000
Mainland China	72,256,327	69,898,158
Hong Kong	2,703,390	2,611,630
	74,959,717	72,509,788

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

Other information

Amounts regularly provided to the chief operating decision maker (included in the measure of segment profit or loss or segment assets) are as follows:

	Property investment RMB'000	Property and land development RMB'000	Hotel operations RMB'000	Output management project RMB'000	Other services RMB'000	Total RMB'000
Year ended 31 December 2022						
Impairment loss recognised/(reversed) under expected credit loss model, net	15,903	4,626	(696)	42,138	4,594	66,565
Depreciation of property, plant and equipment	19,588	3,755	163,819	1,188	11,845	200,195
Depreciation of right-of-use assets	12,327	2,603	54,534	1,141	1,519	72,124
Loss/(gain) on disposal of property, plant and equipment, net	3,213	14	(1,184)	–	–	2,043
Impairment loss on properties held for sale	–	209,114	–	–	–	209,114
Impairment loss on properties under development for sales	–	81,972	–	–	–	81,972
Year ended 31 December 2021						
Impairment loss recognised/(reversed) under expected credit loss model, net	7,556	2,723	(164)	1,498	(2,570)	9,043
Depreciation of property, plant and equipment	23,005	3,156	181,709	3,005	12,824	223,699
Depreciation of right-of-use assets	8,997	2,059	56,619	1,145	2,215	71,035
Loss/(gain) on disposal of property, plant and equipment, net	3,613	28	(1,073)	–	(88,693)	(86,125)
Impairment loss on properties under development for sales	–	266,643	–	–	–	266,643

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income from:		
Banks	120,920	138,319
A non-banking financial institution*	19,685	4,999
Loans to joint ventures	7	1,313
Loans to associates	136,708	117,654
Loan to non-controlling interests	13,728	3,596
Government grants (Note)	42,704	22,623
Refund of PRC value added tax and surcharges	–	3
Others	7,230	9,024
	340,982	297,531

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

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

7. OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
(Loss)/gain on disposal of property, plant and equipment, net	(2,043)	86,125
Impairment loss on properties held for sale	(209,114)	–
Impairment loss on properties under development for sale	(81,972)	(266,643)
Impairment loss on property, plant and equipment	–	(62,692)
Impairment loss on right-of-use-assets	–	(13,227)
Gain on disposal of subsidiary	10,314	–
Exchange (loss)/gain, net	(147,084)	117,495
Others	117,922	16,142
	(311,977)	(122,800)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

	2022 RMB'000	2021 RMB'000
Impairment loss recognised		
– accounts receivable	9,852	7,248
– other receivables	3,542	1,795
– loan to an associate	35,845	299,439
– amount due from fellow subsidiaries	7,336	–
– amount due from joint ventures	45,764	–
– amount due from non-controlling-interest	71	–
	102,410	308,482

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on:		
Bank borrowings	731,206	687,081
Loans from a non-banking financial institution*	51,920	72,033
Loans from other fellow subsidiaries	7,355	7,060
Loan from a joint venture	183,580	31,295
Loan from non-controlling interests	112,777	98,641
Loan from an associate	771	713
Bonds payable	134,542	151,801
Loans from third parties	430,416	362,393
Lease liabilities	11,256	12,510
Others	35,757	27,812
Total interest expenses	1,699,580	1,451,339
Less: Interest capitalised:		
Investment properties under development (Note 16)	(88,278)	(157,604)
Properties under development for sale (Note 24(b))	(359,505)	(440,014)
	(447,783)	(597,618)
	1,251,797	853,721

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

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

Borrowing costs were capitalised at rates ranging from 3.00% to 6.48% (2021: 3.85% to 6.50%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. PROFIT BEFORE TAX

	2022 RMB'000	2021 RMB'000
Profit before tax has been arrived at after charging/(crediting):		
Directors' emoluments (Note 14)	2,718	5,504
Depreciation and amortisation:		
Amortisation:		
– Intangible assets (included in cost of sales)	4,191	4,060
– Intangible assets (included in administrative expenses)	5,584	7,713
– Intangible assets (included in distribution and selling costs)	1,190	1,756
Depreciation of right-of-use assets	72,124	71,035
Depreciation of property, plant and equipment	200,195	223,699
Total depreciation and amortisation	283,284	308,263
Cost of sales and services rendered:		
Cost of properties sold	12,887,739	6,034,237
Direct operating expenses arising from investment properties that generated rental income	888,996	880,654
Direct operating expenses arising from provision of property management and other property related services	128,352	122,807
Direct operating expenses from hotel services provided	519,912	562,011
	14,424,999	7,599,709
Employee benefits expense (including directors' emoluments (Note 14)):		
Salaries, allowances and other benefits	1,005,727	1,030,379
Retirement benefit scheme contributions	96,206	100,738
	1,101,933	1,131,117
Less: Capitalised in properties under development for sale and investment properties under development	(159,325)	(189,215)
	942,608	941,902
Advertising and promotion expenses (included in distribution and selling costs)	196,224	208,077
Auditors' remuneration	2,250	2,250

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax	992,708	587,056
PRC dividend Withholding Tax	34,239	74,041
Land Appreciation Tax	409,671	53,947
Hong Kong Profits Tax	13,991	16,424
	1,450,609	731,468
Under provision in prior years:		
PRC Enterprise Income Tax	16,148	4,502
Deferred tax (Note 22)	33,136	237,987
Total	1,499,893	973,957

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. INCOME TAX EXPENSE (continued)

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

	2022 RMB'000	2021 RMB'000
Profit before tax	2,600,471	2,458,839
Tax at PRC EIT rate of 25% (2021: 25%)*	650,118	614,710
Lower tax rates for entities of the Group operating in other jurisdictions	44,486	20,442
PRC LAT	380,386	168,703
Tax effect of PRC LAT	(95,097)	(42,176)
Tax effect of expenses not deductible for tax purpose	198,514	45,923
Tax effect of income not taxable for tax purpose	(16,865)	(54,670)
Tax effect of tax losses not recognised	128,989	102,642
Tax effect of unrecognised deductible temporary difference	70,481	90,188
Tax effect of utilisation of tax losses/deductible temporary difference not previously recognised	(8,177)	(2,178)
Tax effect of share of losses of associates	8,689	1,144
Tax effect of share of losses/(profits) of joint ventures	34,962	(6,776)
Effect of withholding tax on undistributed profits	66,693	32,695
Under provision of current taxation in prior years	16,148	4,502
Others	20,566	(1,192)
Income tax expense for the year	1,499,893	973,957

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

12. DIVIDENDS

Final dividend in respect of the year ended 31 December 2020 of HK3 cents per ordinary share has been proposed by the Directors and was approved by the shareholders at the annual general meeting conducted on 18 June 2021 (the "2020 Final Dividend"). Pursuant to the approval of the shareholders, 2020 Final Dividend of approximately HK\$433 million or RMB354 million and HK\$33 million or RMB27 million were distributed to the ordinary shareholders and holders of the CPS respectively during the year ended 31 December 2021.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK1.2 cents per ordinary share, in an aggregate amount of HK\$171 million or approximately RMB153 million, has been proposed by the Directors (2021: nil) and is subject to approval by the shareholders at the forthcoming annual general meeting.

The holders of the CPS are entitled to receive any dividend pari passu with the holders of ordinary shares of the Company and therefore they are entitled to receive the 2022 final dividend of approximately HK\$13 million or RMB12 million (2021: nil).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. EARNINGS PER SHARE

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

	Year ended at 31 December	
	2022 RMB'000	2021 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	530,773	591,666

	Year ended at 31 December	
	2022	2021
Number of shares ('000)		
For the purpose of basic earnings per share:		
Number of ordinary shares	14,231,125	14,231,125
Number of non-redeemable convertible preference shares (Note 35)	1,095,301	1,095,301
Number of shares for the purpose of basic earnings per share	15,326,426	15,326,426

The number of shares used for the purpose of calculating basic earnings per share for the years ended 31 December 2022 and 2021 were calculated on the basis of the number of the ordinary shares of the Company and CPS in issue during the years.

The calculation of the diluted earnings per share for the years ended 31 December 2022 and 2021 does not assume the exercise of the written put option on shares of a subsidiary as the dilution effect is not considered material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2022				
<i>Executive directors</i>				
Mr. YOU Wei (resigned on 30 September 2022)	–	–	–	–
Mr. CAO Ronggen	–	1,341	249	1,590
<i>Non-executive directors</i>				
Mr. CHEN Lang (appointed on 30 September 2022)	–	–	–	–
Mr. MA Dewei	–	–	–	–
Mr. LIU Yun	–	–	–	–
Mr. ZHU Laibin	–	–	–	–
<i>Independent non-executive directors</i>				
Mr. LAU Hon Chuen, Ambrose	376	–	–	376
Mr. LAM Kin Ming, Lawrence	376	–	–	376
Mr. CHAN Fan Shing	376	–	–	376
Total	1,128	1,341	249	2,718

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. DIRECTORS' EMOLUMENTS (continued)

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

None of the Directors has waived or agreed to waive any emoluments paid by Group for the years ended 31 December 2021 and 2022. No emoluments were paid by the Group to any of the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during both year.

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

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

In 2022 and 2021, Mr. CAO Ronggen received remuneration from Tianjin Joy City Commercial Management Co., Ltd., which is a subsidiary of the Company for his service in connection with the management of the affairs of the Company and the Group. All non-executive directors were not paid directly by the Company in 2022 and 2021 but received remuneration from the ultimate holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. In 2022 and 2021 no apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group or Grandjoy Holdings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. EMPLOYEE'S EMOLUMENTS

The five highest paid employees of the Group during the year included one director (2021: two), details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining four (2021: three) individuals are as follows:

	Year ended at 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	7,557	10,750
Retirement benefit scheme contributions	925	1,156
	8,482	11,906

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

	Year ended at 31 December	
	2022	2021
	<i>Number of individuals</i>	
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	3	–
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$3,500,001 – HK\$4,000,000	–	1
	5	5

Save as disclosed above, the Directors confirm that no inducement to join the Group, compensation for loss of any office in connection with the management of the affairs of any member of the Group has been made to the five highest paid individuals during the year ended 31 December 2022 and 2021.

16. INVESTMENT PROPERTIES

The Group leases out various offices and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 15 years (2021: 1 to 20 years), with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of retail stores contain variable lease payment that are based on 1% to 40% (2021: 1% to 40%) sales and minimum annual lease payment that are fixed over the lease term.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. INVESTMENT PROPERTIES (continued)

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Fair value			
At 1 January 2021	52,677,487	5,052,400	57,729,887
Additions on subsequent expenditure	85,192	2,476,933	2,562,125
Transfer from construction in progress upon completion	3,919,000	(3,919,000)	–
Disposal	(2,777)	–	(2,777)
Purchase of investment properties under development for sale	–	606,388	606,388
Addition of leased investment properties	6,467	–	6,467
Interest capitalised (Note 9)	–	157,604	157,604
Change in fair value recognized in profit or loss	(86,185)	253,674	167,489
Exchange realignment	(69,963)	–	(69,963)
At 31 December 2021	56,529,221	4,627,999	61,157,220
Additions on subsequent expenditure	603,290	1,850,665	2,453,955
Disposal	(2,902)	–	(2,902)
Addition of leased investment properties	20,282	–	20,282
Transfer from construction in progress upon completion	3,139,797	(3,139,797)	–
Interest capitalised (Note 9)	–	88,278	88,278
Change in fair value recognized in profit or loss	(820,162)	37,554	(782,608)
Others	646	–	646
Exchange realignment	220,975	–	220,975
At 31 December 2022	59,691,147	3,464,699	63,155,846
Unrealised (loss)/gain on property revaluation included in profit or loss			
During the year ended 31 December 2022	(820,162)	37,554	(782,608)
During the year ended 31 December 2021	(86,185)	253,674	167,489

All of the Group's property interests held for operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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16. INVESTMENT PROPERTIES (continued)

Details of the Group's completed investment properties and investment properties under development as at 31 December 2022 and 31 December 2021 were as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Commercial properties located in Hong Kong	2,550,287	2,440,920
Commercial properties located in Mainland China	55,849,559	53,915,300
Residential properties located in Mainland China	4,756,000	4,801,000
	63,155,846	61,157,220

At 31 December 2022, the Group's investment properties with an aggregate carrying amount of RMB34,824,040,000 (2021: RMB30,673,070,000) were pledged to secure banking facilities granted to the Group (Note 41).

At 31 December 2022, building ownership certificates in respect of investment properties of the Group with an aggregate carrying amount of RMB7,073,061,000 (2021: RMB7,090,235,000) had not been issued by the relevant PRC authorities.

Fair value measurement of the Group's investment properties

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

The fair value of the Group's completed investment properties and investment properties under development in Hong Kong and Mainland China at 31 December 2022 and 2021 has been arrived at on the basis of a valuation carried out as at these days by Cushman & Wakefield ("C&W"), independent qualified professional valuer which is not connected with the Group.

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

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

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

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

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16. INVESTMENT PROPERTIES (continued)

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

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

The fair values of the Group's investment properties at 31 December 2022 and 2021 are all grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the both years.

The following table gives information about how the fair values of the Group's major investment properties as at 31 December 2022 and 2021 are determined. The significant unobservable inputs included (i) capitalisation rate, which taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition; and (ii) monthly unit rent, which using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

Major investment properties of the Group	Significant unobservable inputs			
	Capitalisation rate		Monthly unit rent (sq.m/month)	
	2022	2021	2022 RMB	2021 RMB
Completed investment properties				
Beijing COFCO Plaza				
– office	6.0%	6.0%	349 to 436	321 to 401
– shop	5.0%	5.0%	45 to 376	141 to 353
Fraser Suites Top Glory, Shanghai – residential units	2.5%	2.5%	294	293
COFCO Tower, Hong Kong				
– office	3.0%	3.2%	295 to 334	378 to 432
– shop	3.5%	3.5%	616	765
Xidan Joy City				
– office	6.0%	6.0%	333 to 368	339
– shop	6.5%	6.5%	286 to 1,620	577 to 1,293
Chaoyang Joy City – shop	6.5%	6.5%	35 to 866	125 to 836
Tianjin Joy City – shop	7.0%	7.0%	53 to 448	221 to 441
Shanghai Jing'an Joy City – shop				
– South Tower	6.5%	6.5%	116 to 751	340 to 756
– North Tower	6.5%	6.5%	200 to 835	334 to 834
Shenyang Joy City – shop	7.0%	7.0%	69 to 359	145 to 362
Chengdu Joy City – shop	6.0%	6.0%	53 to 364	87 to 349

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17. PROPERTY, PLANT AND EQUIPMENT

	Office properties RMB'000	Office improvements RMB'000	Hotel properties RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Costs:						
At 1 January 2021	723,274	28,639	3,577,668	1,287,636	78,248	5,695,465
Additions	298	2,867	11,625	12,703	4,907	32,400
Disposals	(81,398)	–	(32)	(20,594)	(8,479)	(110,503)
Others	(4,841)	–	–	4,841	–	–
Exchange realignment	–	–	–	(1,427)	–	(1,427)
At 31 December 2021	637,333	31,506	3,589,261	1,283,159	74,676	5,615,935
Additions	13	11,401	169	15,404	3	26,990
Disposals	(9,866)	–	(5,848)	(31,670)	(922)	(48,306)
Disposal of a subsidiary	(22,732)	–	–	–	–	(22,732)
Others	–	–	–	(576)	–	(576)
Exchange realignment	–	–	–	4,588	–	4,588
At 31 December 2022	604,748	42,907	3,583,582	1,270,905	73,757	5,575,899
Accumulated depreciation:						
At 1 January 2021	179,864	12,675	904,864	927,391	71,977	2,096,771
Charge for the year	17,590	750	127,788	72,792	4,779	223,699
Eliminated on disposals	(23,026)	–	–	(19,455)	(7,161)	(49,642)
Others	(1,375)	–	–	1,375	–	–
Exchange realignment	–	–	–	(1,378)	–	(1,378)
At 31 December 2021	173,053	13,425	1,032,652	980,725	69,595	2,269,450
Charge for the year	15,557	9,786	118,891	52,014	3,947	200,195
Eliminated on disposals	(2,795)	–	(5,848)	(30,816)	(922)	(40,381)
Disposal of a subsidiary	(2,274)	–	–	–	–	(2,274)
Exchange realignment	–	–	–	4,350	–	4,350
At 31 December 2022	183,541	23,211	1,145,695	1,006,273	72,620	2,431,340
Accumulated impairment:						
At 1 January 2021	–	–	–	–	–	–
Additions	59,306	–	–	3,386	–	62,692
At 31 December 2021	59,306	–	–	3,386	–	62,692
Disposals	(7,071)	–	–	–	–	(7,071)
At 31 December 2022	52,235	–	–	3,386	–	55,621
Net carrying amounts:						
At 31 December 2022	368,972	19,696	2,437,887	261,246	1,137	3,088,938
At 31 December 2021	404,974	18,081	2,556,609	299,048	5,081	3,283,793

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

At 31 December 2022, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,397,126,000 (2021: RMB2,518,314,000) were pledged to secure banking facilities granted to the Group and a loan from non-controlling interest (Note 41).

At 31 December 2022, building ownership certificates in respect of certain office properties and hotel properties of the Group in Mainland China with an aggregate net carrying amount of approximately RMB138,474,000 (2021: RMB149,661,000) had not been issued by the relevant PRC authorities.

Details of the Group's office properties and hotel properties as at 31 December 2022 and 2021 were as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Located in Mainland China	2,806,150	2,960,580
Located in Hong Kong	709	1,003
	2,806,859	2,961,583

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18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Costs:			
At 1 January 2021	2,013,492	54,904	2,068,396
Additions	–	25,569	25,569
Early termination of lease contracts	–	(18,393)	(18,393)
At 31 December 2021	2,013,492	62,080	2,075,572
Additions	–	894	894
Early termination of lease contracts	–	(2,273)	(2,273)
Disposal of subsidiaries	(12,569)	–	(12,569)
At 31 December 2022	2,000,923	60,701	2,061,624
Accumulated depreciation:			
At 1 January 2021	362,610	19,101	381,711
Charge for the year	60,603	10,432	71,035
Impairment provision	13,227	–	13,227
Early termination of lease contracts	–	(4,665)	(4,665)
At 31 December 2021	436,440	24,868	461,308
Charge for the year	60,381	11,743	72,124
Early termination of lease contracts	–	(1,255)	(1,255)
Disposal of subsidiaries	(1,432)	–	(1,432)
At 31 December 2022	495,389	35,356	530,745
Net carrying amounts recognised for the year:			
At 31 December 2022	1,505,534	25,345	1,530,879
At 31 December 2021	1,577,052	37,212	1,614,264
	2022 RMB'000	2021 RMB'000	
Expense relating to short-term leases	17,676	27,802	
Total cash outflow for leases	93,762	76,459	
Additions to right-of-use assets	894	25,569	

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18. RIGHT-OF-USE ASSETS (continued)

At 31 December 2022, certain of the Group's right of use assets with a net carrying amounts of approximately RMB1,380,115,000 (2021: RMB1,434,517,000) were pledged to secure banking facilities granted to the Group (Note 41).

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

19. INTANGIBLE ASSETS

	RMB'000
Costs:	
At 1 January 2021	198,450
Additions	4,681
Disposal of a subsidiary	(4,755)
At 31 December 2021	198,376
Additions	13,179
At 31 December 2022	211,555
Accumulated amortisation:	
At 1 January 2021	79,342
Amortisation provided during the year	13,529
Disposal of a subsidiary	(2,227)
At 31 December 2021	90,644
Amortisation provided during the year	10,965
At 31 December 2022	101,609
Net carrying amounts:	
At 31 December 2022	109,946
At 31 December 2021	107,732

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

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20. INTERESTS IN ASSOCIATES

	At 31 December	
	2022 RMB'000	2021 RMB'000
Cost of investments, unlisted	1,208,161	224,322
Share of post-acquisition results and other comprehensive income	(457,678)	(107,058)
	750,483	117,264

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

Company name	Place of establishment/ incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December		
			2022	2021	Principal activity
Beijing Xinrun Zhiyuan Real Estate Co., Ltd. ("Xinrun Zhiyuan")*	PRC	Beijing, PRC	20%	20%	Property development
Kunming Luoshiwan Guoyue Real Estate Co., Ltd.	PRC	Kunming, PRC	30%	30%	Property development
Fancy Merit Ltd.	Hong Kong	Qingdao, PRC	49%	49%	Property development
Beijing Hengliang Yuetong Real Estate Development Co., Ltd. ("Beijing Hengliang")**	PRC	Beijing, PRC	49%	Nil	Property development

* During the year ended 31 December 2022, the Group and the shareholder of Xinrun Zhiyuan injected additional capital to the associate in proportion to their ownership interests in Xinrun Zhiyuan. The Group injected RMB420,000,000 accordingly with no change in its proportion of ownership interest in the associate.

** On 2 June 2022, the Group subscribed for 49% equity interest in Beijing Hengliang, a newly incorporated company in the PRC at RMB563,500,000.

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of (loss)/profit	(40,226)	35,692
Aggregate carrying amount of the Group's interests in these associates	750,483	117,264

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21. INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Cost of investments, unlisted	6,534,838	6,509,238
Share of post-acquisition results and other comprehensive income	(211,213)	(279,722)
Total	6,323,625	6,229,516

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

Company name	Place of establishment/ incorporation	Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December		Principal activity
			2022	2021	
Colour Bridge Holdings Ltd.	British Virgin Islands	Shanghai, PRC	50%	50%	Property development
Garbo Commercial Property Fund L.P.	Cayman Islands	Shanghai and Xi'an PRC	36.4%	36.4%	Investment property
Changzhou Jingrui Real Estate Co., Ltd.*	People's Republic of China	Changzhou, PRC	49%	49%	Property development

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

Summary of financial information of material joint venture

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

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21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holdings Ltd.

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	16,386,136	20,223,293
Non-current assets	198,619	189,654
Total assets	16,584,755	20,412,947
Current liabilities	6,654,470	10,986,141
Non-current liabilities	142,888	731
Total liabilities	6,797,358	10,986,872
Non-controlling interest	98,181	94,566
Net assets	9,689,216	9,331,509
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	4,460,326	8,963,515
Current financial liabilities (excluding trade and other payables, and provisions)	688,599	4,096,164
	At 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	451,887	3,731,865
Depreciation and amortisation	(938)	(1,696)
Income tax expense	(26,075)	(318,536)
Profit and total comprehensive income for the year	361,322	128,579
Non-controlling interest	3,616	1,591
Profit and total comprehensive income for the year shared by the Group	178,853	63,494

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21. INTERESTS IN JOINT VENTURES (continued)

Colour Bridge Holdings Ltd. (continued)

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Net assets of Colour Bridge Holdings Ltd.	9,689,216	9,331,509
Proportion of the Group's ownership in Colour Bridge Holdings Ltd.	50%	50%
Carrying amount of the Group's interest in Colour Bridge Holdings Ltd.	4,844,608	4,665,755

Aggregate information of joint ventures that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of (loss)/profit	(110,689)	138,586
Aggregate carrying amount of the Group's interests in these joint ventures	1,479,017	1,563,761

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22. DEFERRED TAX

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

Deferred tax assets

	Land appreciation tax RMB'000	Tax losses RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	205,844	56,415	27,339	99,285	388,883
(Charge)/credited to profit or loss (Note 11)	(114,756)	19,060	15,792	53,806	(26,098)
At 31 December 2021	91,088	75,475	43,131	153,091	362,785
(Charge)/credited to profit or loss (Note 11)	29,285	36,860	480	58,531	125,156
At 31 December 2022	120,373	112,335	43,611	211,622	487,941

Deferred tax liabilities

	Investment property RMB'000	Tax depreciation allowance RMB'000	Dividend withholding tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	6,014,990	1,398,196	433,710	47,554	7,894,450
(Credit)/charged to profit or loss (Note 11)	54,781	212,516	(41,346)	(14,062)	211,889
Exchange realignment	–	–	–	154	154
At 31 December 2021	6,069,771	1,610,712	392,364	33,646	8,106,493
(Credit)/charged to profit or loss (Note 11)	(176,301)	248,072	66,693	19,828	158,292
Exchange realignment	–	–	–	1,100	1,100
At 31 December 2022	5,893,470	1,858,784	459,057	54,574	8,265,885

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22. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Deferred tax assets	314,755	186,345
Deferred tax liabilities	(8,092,699)	(7,930,053)
	(7,777,944)	(7,743,708)

At 31 December 2022, the Group had tax losses of RMB2,266,504,000 (2021: RMB1,764,153,000) arose in Mainland China to carry forward to set off against future taxable profit which will expire within 1 to 5 years from each of the financial year end date. A deferred tax asset has been recognised in respect of tax losses of RMB449,342,000 (2021: RMB301,902,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,817,162,000 (2021: RMB1,462,251,000) due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

	At 31 December	
	2022 RMB'000	2021 RMB'000
To be expired on:		
31 December 2022	–	153,687
31 December 2023	171,102	171,433
31 December 2024	211,956	211,956
31 December 2025	487,505	487,982
31 December 2026	437,146	437,193
31 December 2027	509,453	–
Total unused tax losses not recognised as deferred tax assets	1,817,162	1,462,251

At 31 December 2022, the Group had estimated unused tax losses of RMB90,739,000 (2021: RMB129,150,000) arose in Hong Kong available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

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22. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Pursuant to the PRC Enterprise Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is currently subject to withholding tax at 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, deferred tax liabilities on certain undistributed profits of the PRC subsidiaries of approximately RMB67,595,000 (2021: RMB68,463,000), which were generated after 1 January 2008, have not been recognised as of 31 December 2022 because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES

	At 31 December	
	2022 RMB'000	2021 RMB'000
Classified under current assets		
Loans to an associate (Note (a))	1,015,816	771,938
Loan to a non-controlling interest (Note (b))	995,000	1,020,000
	2,010,816	1,791,938
Classified under non-current assets		
Loans to associates (Note (a))	2,432,941	832,613
Loan to a non-controlling interest (Note (b))	147,000	–
	2,579,941	832,613
Classified under current liabilities		
Loans from fellow subsidiaries (Note (d))	221,649	996,486
Loan from non-controlling interests (Note (c))	1,833,015	1,953,326
Loan from a joint venture (Note (e))	–	2,524,800
Loan from a third party (Note (f))	25,560	1,211,694
	2,080,224	6,686,306

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23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES (continued)

	At 31 December	
	2022 RMB'000	2021 RMB'000
Classified under non-current liabilities		
Loans from a fellow subsidiary (Note (d))	1,068,500	768,558
Loan from non-controlling interests (Note (c))	821,872	–
Loan from a joint venture (Note (e))	5,574,800	–
Loans from third parties (Note (f))	7,898,800	6,372,633
	15,363,972	7,141,191

Notes:

- (a) The loans to associates as at 31 December 2022 were unsecured, carried fixed interest at rates 0%-10% per annum (2021: 7.00% to 10.00% per annum) and were classified into current assets and non-current assets according to their repayment term.
- (b) The loans to a non-controlling interest as at 31 December 2022 were unsecured, interest bearing at 0.35%-4.3% per annum (2021: 0.35%) and were classified into current assets and non-current assets according to their repayment term.
- (c) The loans from non-controlling interests as at 31 December 2022 were unsecured, carried interest at rates ranging from 3.00% to 6.00% per annum (2021: 3.85% to 6.00%) and were classified into current assets and non-current assets according to their repayment term.
- (d) The loans from fellow subsidiaries carried interest at rates ranging from 2.09% to 4.00% per annum (2021: 2.09% to 4.20%) and were classified into current assets and non-current assets according to their repayment term.
- (e) The loans from a joint venture as at 31 December 2022 was unsecured, interest bearing at 3.85% per annum and repayable within three years (2021: unsecured, interest bearing at 3.85% per annum and repayable within one year).
- (f) The loans from third parties carried interest at rates ranging from 3.80% to 6.50% per annum (2021: ranging from 3.80% to 6.50% per annum) and were classified into current liabilities and non-current liabilities according to its repayment terms. Included in the above loans from third parties, RMB7,924,360,000 of which were guaranteed by the immediate holding company, Grandjoy Holdings as at 31 December 2022 (2021: RMB3,440,527,000). All of the third parties are other non-bank financial institutions such as trust institution and asset management company.
- (g) Details of impairment assessment of loans to associates and non-controlling interests as at 31 December 2022 and 2021 are set out in Note 43.

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23. LOANS TO/FROM ASSOCIATES, JOINT VENTURES, FELLOW SUBSIDIARIES, NON-CONTROLLING INTERESTS AND THIRD PARTIES (continued)

The maturity profile of the loans from fellow subsidiaries, non-controlling interests, a joint venture and third parties are as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Carrying amount of loans *		
Within one year	2,080,224	6,686,306
In the second year	1,368,495	1,412,001
In the third to fifth year, inclusive	9,430,017	2,181,480
Over five years	4,565,460	3,547,710
Total	17,444,196	13,827,497
Less: Amounts due within twelve months shown under current liabilities	(2,080,224)	(6,686,306)
Amounts shown under non-current liabilities	15,363,972	7,141,191

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

As at 31 December 2022, an aggregate amount of RMB409,518,000 (31 December 2021: RMB374,891,000) of loans to associates were denominated in United States dollars ("US\$") and an amount of RMB55,168,000 (31 December 2021: RMB50,494,000) of loan from fellow subsidiaries was denominated in US\$.

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24(a). PROPERTIES HELD FOR SALE

	At 31 December	
	2022 RMB'000	2021 RMB'000
Completed properties held for sale	4,615,638	7,597,916

The Group's properties held for sale are located in Mainland China. They are stated at the lower of cost and net realisable value.

At 31 December 2022, the properties held for sale with a carrying amount of RMB709,548,000 (2021: nil) was pledged to secure certain banking facilities granted to the Group (Note 41).

Included in the completed properties held for sale is carrying amount of RMB2,186,793,000 (2021: RMB4,566,454,000) which is expected to be sold after more than twelve months from the end of the reporting period.

24(b). PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December	
	2022 RMB'000	2021 RMB'000
At cost:		
At 1 January	32,691,200	29,280,964
Additions	11,288,538	15,461,816
Transfer to properties held for sale upon completion	(10,839,965)	(12,224,951)
Interest capitalised during the year (Note 9)	359,505	440,014
Impairment loss	(81,972)	(266,643)
At 31 December	33,417,306	32,691,200

Included in the properties under development for sale as at 31 December 2022 was carrying amount of RMB18,001,388,000 (31 December 2021: RMB19,924,468,000) of which the development is expected to be completed and available for sale after more than twelve months from the end of the reporting period.

At 31 December 2022, the land on which properties under development for sale are located with a carrying amount of RMB16,661,914,000 (2021: RMB10,622,463,000) was pledged to secure certain banking facilities granted to the Group (Note 41).

Included in the properties under development for sale as at 31 December 2022 was the carrying amount of construction costs incurred of RMB4,281,854,000 (31 December 2021: RMB3,288,784,000) in relation to primary land development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. ACCOUNTS RECEIVABLE

	At 31 December	
	2022 RMB'000	2021 RMB'000
Lease receivables	107,452	110,735
Property management fee receivables	11,427	3,311
Receivables from hotel operations and related services	19,686	21,862
Others	1,013	807
Less: Allowance for credit losses	(21,963)	(25,141)
	117,615	111,574
Rental adjustments*	–	8,615
	117,615	120,189

* Rental adjustments relating to the recognition of rental income from operating lease on a straight-line basis over the term of the relevant lease

At 31 December 2022, the gross amount of accounts receivable from contracts with customers amounted to RMB32,126,000 (2021: RMB25,980,000).

At 31 December 2022, accounts receivable with an aggregate carrying amount of RMB24,890,000 (2021: RMB26,089,000) were pledged to secure certain banking facilities granted to the Group (Note 41).

The following is an aged analysis of accounts receivable at the end of the reporting period, excluding rental adjustments and net of allowance for credit losses, presented based on invoice date, except for lease receivables, which were presented based on the date of rental demand notice issued:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Less than 3 months	78,171	81,011
3 months to 1 year	34,074	21,919
1 to 2 years	3,356	7,131
2 to 3 years	2,014	1,513
	117,615	111,574

As at 31 December 2022, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB88,805,000 (31 December 2021: RMB79,548,000) which are past due as at the reporting date. Out of the past due balances, RMB31,980,000 (31 December 2021: RMB26,897,000) has been past due for 90 days or more and is not considered as in default due to historical repayment history from these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of accounts receivable as at 31 December 2022 and 2021 are set out in Note 43.

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For the year ended 31 December 2022

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2022 RMB'000	2021 RMB'000
Classified under non-current assets		
Other deposits	158,575	185,892
Classified under current assets		
Construction payments on behalf of government in relation to primary land development	108,000	117,165
Prepayments to suppliers	157,380	120,700
Other deposits paid	859,897	876,206
Prepaid LAT and other taxes	1,387,687	1,401,684
Receivables from tenants for utility expenses paid on their behalf	29,651	20,053
Restricted deposits from pre-sale properties	256,042	467,536
Other receivables	124,492	94,958
	2,923,149	3,098,302
Less: Allowance for credit losses	(36,957)	(35,085)
	2,886,192	3,063,217

Details of impairment assessment of deposits and other receivables as at 31 December 2022 and 2021 are set out in Note 43.

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27. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES, HOLDING COMPANIES, JOINT VENTURES, ASSOCIATES AND NON-CONTROLLING INTERESTS

The amounts due from/to fellow subsidiaries, holding companies, joint ventures, associates and non-controlling interests classified under current assets and current liabilities, respectively, were unsecured, interest-free and repayable on demand.

Included in amounts due to non-controlling interests as at 31 December 2021 was dividend payable to non-controlling interests of RMB336,861,000. Such amount was fully settled during the year ended 31 December 2022.

Details of impairment assessment of amounts due from associates, joint ventures, fellow subsidiaries and non-controlling interests as at 31 December 2022 and 2021 are set out in Note 43.

The particulars of the amounts due to fellow subsidiaries disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Amount due from a fellow subsidiary*: <i>Name of the fellow subsidiary:</i> 中糧置地管理有限公司 (CPFCO Land Management Co., Ltd**) ("COFCO Land Management")	–	–
Maximum amount outstanding during the year <i>Name of the fellow subsidiary:</i> COFCO Land Management	259	313

The amount is non-trade related, interest free and repayable on demand.

* Certain directors of this company are also directors of the Company.

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

The following amounts due from/to fellow subsidiaries, non-controlling interests and the immediate holding company are denominated in Hong Kong dollars ("HK\$") or US\$, other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Denominated in HK\$		
Amount due from non-controlling interests	513	–
Amount due from a joint venture	90	67
Amounts due to fellow subsidiaries	26,741	34,921
Amounts due to non-controlling interests	3,279	3,001
Amount due to an intermediate holding company	16,989	–
Denominated in US\$		
Amounts due to fellow subsidiaries	9,478	6,735
Amounts due from non-controlling interests	23,242	21,746
Amount due from a joint venture	236	184

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28. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK DEPOSITS

	At 31 December	
	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	16,866,904	10,325,072
Non-pledged time deposits with an original maturity of: Three months or less when acquired	28,463	27,825
Cash and bank balances	16,895,367	10,352,897
Pledged deposits: For guarantees provided by the Group in respect of loan facilities utilised by property buyers (Note 41)	5,402	5,500
Restricted bank deposits: For payments of constructions costs for specified projects	84,892	127,040
Others	–	176
	84,892	127,216

* Cash at COFCO Finance were amounted to nil at 31 December 2022 (31 December 2021: RMB1,485,000,000).

Cash at banks earns interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks.

The bank balances and deposits carry variable interest rates as follows:

	At 31 December	
	2022 %	2021 %
Interest rate per annum	0.01 to 2.20	0.01 to 2.03

Certain of the Group's cash and bank balances are denominated in the following currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Denominated in HK\$	182,569	584,328
Denominated in US\$	593,401	165,796
	775,970	750,124

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29. ACCOUNTS PAYABLE

	At 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables	35,734	33,755
Accrued expenditures on construction	5,968,523	5,242,801
	6,004,257	5,276,556

Accounts payable, including trade payables, accrued expenditures on construction and accrued land cost, mainly comprise construction costs, land cost and other project-related expenses in relation to properties under development for sale which are payable based on project progress measured by the Group. Trade payables are generally with credit period of 60 to 90 days, except for the retention monies of certain construction costs of which the credit period is up to 2 years. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an aged analysis of trade payables at the end of the reporting period based on invoice date.

	At 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	35,649	33,540
1 to 2 years	85	—
2 to 3 years	—	—
Over 3 years	—	215
	35,734	33,755

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30. OTHER PAYABLES AND ACCRUALS

Classified under current liabilities

	At 31 December	
	2022 RMB'000	2021 RMB'000
Construction costs payable for property, plant and equipment	24	4,516
Construction costs payable for investment properties	2,010,401	1,238,609
Receipts of credit card payments on behalf of tenants	353,732	456,686
Rental deposits received	455,623	454,958
Other deposits received	1,584,653	527,578
Salaries and payroll payables	273,425	268,267
Rental receipts in advance	420,791	517,796
Other tax payable	1,183,657	1,289,954
Consideration payable for acquisition of a joint venture	6,934	6,590
Interest payables	37,984	31,843
Promotional fees payable	67,258	72,244
Other payables and accruals	479,443	486,476
	6,873,925	5,355,517

Classified under non-current liabilities

	At 31 December	
	2022 RMB'000	2021 RMB'000
Obligation arising from put option to non-controlling shareholder (Note)	389,517	379,889
Rental deposits received	576,861	614,292
	966,378	994,181

Note:

On 8 October 2018, Golden Prominent Limited ("Golden"), a wholly-owned subsidiary of the Company, entered into an agreement with Reco Valley Private Limited (the "Partner"), a third party, to establish a non wholly-owned subsidiary named Joy Valley Limited ("Joy Valley"), to bid for the land use rights for the purpose of developing a property project in Wuhan, HuBei Province, the PRC. Golden holds 51% equity interest in Joy Valley and the Partner holds the remaining 49% equity interest.

Pursuant to the agreement above, Golden has granted the put option (the "Put Option") to the Partner exercisable upon the date of completion of the two years operation of the shopping mall located on the piece of land of the project developed by Joy Valley, within a 30-day valid period, that the Partner has the right to require the Group to buy back the 49% equity interest in Joy Valley held by the Partner at a cash consideration with reference to the market value of net assets of Joy Valley attributable to the Partner. At initial recognition, the obligation arising from the Put Option represented the estimated present value of the amount of Golden could be required to pay the Partner amounting to RMB336,470,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to other reserve, and was designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. BANK BORROWINGS

	At 31 December	
	2022 RMB'000	2021 RMB'000
Bank loans:		
Secured or guaranteed	18,463,308	15,463,897
Unsecured	5,879,064	5,712,733
	24,342,372	21,176,630
Represented:		
Floating rate borrowings	24,342,372	21,176,630

Details of securities for the secured bank loans are set out in Note 41. Certain of bank loans are under corporate guarantee executed by related parties and third parties as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Guaranteed by fellow subsidiaries of the Group	12,917,404	9,311,859
Guaranteed by non-controlling interests	213,141	–

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31. BANK BORROWINGS (continued)

The maturity profile of the above bank loans is as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Carrying amount of bank loans repayable*:		
Within one year	4,935,955	8,400,146
In the second year	5,153,957	3,232,005
In the third to fifth year, inclusive	12,640,806	8,531,199
Beyond five years	1,611,654	1,013,280
Total bank borrowings	24,342,372	21,176,630
Less: Amounts due within twelve months shown under current liabilities	(4,935,955)	(8,400,146)
Amounts shown under non-current liabilities	19,406,417	12,776,484

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2022, the amount of RMB3,498,939,000 of bank borrowings was denominated in HK\$ (2021: RMB3,528,850,000), and the amount of RMB12,803,794,000 of bank borrowings was denominated in US\$ (2021: RMB10,666,032,000). Out of these foreign currency denominated bank loans, the Group has entered into interest rate swap agreements with independent counterparties to lock-up the variable interest rates of the loans amounting to RMB4,302,730,000 as at 31 December 2022 (31 December 2021: RMB8,370,019,000) into fixed rates. These interest rate swap instruments are designated as effective hedging instruments. The Group has entered into foreign currency forward contracts with independent counterparties to lock-up the variable foreign currency exchange rates of the loans amounting to RMB5,710,972,000 as at 31 December 2022 (31 December 2021: RMB7,241,671,000) into fixed rates. These exchange rate swap instruments are designated as effective hedging instruments.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	At 31 December	
	2022 %	2021 %
Effective interest rate per annum	3.20 to 6.36	1.11 to 5.70

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32. BONDS PAYABLE

	At 31 December	
	2022 RMB'000	2021 RMB'000
Classified under current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note)	1,017,676	1,576,267
Classified under non-current liabilities		
COFCO Commercial Property Investment Co., Ltd (Note)	2,962,245	2,409,314

Note:

On 9 January 2019, a wholly-owned subsidiary of the Company (the "Subsidiary"), COFCO Commercial Property Investment Co., Ltd (中糧置業投資有限公司), issued a six-year term and a seven-year term unsecured corporate bonds ("CBI" and "CBII") in the PRC, with principal amounts of RMB1,660,000,000 and RMB700,000,000 respectively. The coupon rates of the bonds are 3.94% and 4.10% per annum. At the end of the third year of CBI and the fifth year of CBII, the bond holders have a right to require the Subsidiary to redeem the bonds at its par value plus accrued and unpaid interest, and the Subsidiary has a right to adjust the coupon rate of the bonds from a range of 1-100 basis points.

On 27 March 2020, the Subsidiary issued a three-year term and a five-year term of unsecured corporate bonds in the PRC, with principal amounts of RMB900,000,000 and RMB600,000,000 respectively, carrying coupon rate of 3.14% and 3.60% per annum, respectively.

On 19 January 2022, the Subsidiary issued a five-year term and a seven-year term of unsecured corporate bonds in the PRC, with principal amounts of RMB1,000,000,000 and RMB500,000,000 respectively. The coupon rates of the bonds are 3.08% and 3.49% per annum.

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For the year ended 31 December 2022

33. CONTRACT LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Sales of properties	11,131,010	12,257,461
Others	54,843	62,666
	11,185,853	12,320,127

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Sales of properties RMB'000	Others RMB'000
For the year ended 31 December 2022		
Revenue recognised that was included in the contact liabilities balance at the beginning of the year	9,245,120	62,666
For the year ended 31 December 2021		
Revenue recognised that was included in the contact liabilities balance at the beginning of the year	4,323,226	51,015

34. SHARE CAPITAL

Ordinary share capital of the Company

	Number of shares	Amount HK\$'000	(RMB equivalent) RMB'000
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	28,904,699,222	2,890,470	2,293,502
Issued and fully paid:			
Ordinary shares of HK\$0.10 each			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	14,231,124,858	1,423,112	1,122,414

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35. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

CPS with a par value of HK\$0.10 each were created as a new class of shares in the share capital of the Company on 19 December 2013. Upon the completion date of the Reverse Takeover Transaction on 19 December 2013, the Company issued 1,095,300,778 CPS (which are convertible into 1,095,300,778 new ordinary shares of the Company (the "Shares") subject to anti-diluted adjustments, to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the CPS (the "Conversion Shares")) to Achieve Bloom Limited, the then immediate holding company of the Company, as part of the consideration of the Reverse Takeover Transaction completed in December 2013, resulting in credits to equity of HK\$2,190,602,000 (approximately RMB1,722,317,000).

The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share. Holders of the CPS will have the right to convert all or such number of CPS into the Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each CPS shall confer on its holder the right to receive any dividend *pari passu* with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis. The holders of the CPS shall have priority over the ordinary shareholders of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS or Shares).

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction. Save as expressly provided in the Bye-laws and save and except for the voting rights and distribution entitlements upon liquidation, winding-up or dissolution of the Company, each CPS shall have the same rights as each of the Shares.

The Conversion Shares upon conversion of the CPS will be issued as fully paid and will rank *pari passu* in all respects with the Shares in issue as at the date of conversion. Listing approval for the Conversion Shares has been granted by the Stock Exchange.

If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

No listing will be sought for the CPS on the Stock Exchange or any other stock exchange.

36. RESERVES

The reconciliation of each component of the Group's total equity, including share premium and reserves, is set out in the consolidated statement of changes in equity.

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37. PERPETUAL CAPITAL INSTRUMENTS

- (a) In October 2014, COFCO Commercial Property Investment Co., Ltd (中糧置業投資有限公司) (“COFCO”), a non wholly-owned subsidiary of the Company, the ultimate holding company and a bank (the “Bank”) have entered into an entrustment loan agreement (the “Perpetual Loan Agreement”), pursuant to which the ultimate holding company shall entrust the Bank to lend RMB3,768 million (the “Perpetual Loan”) to the Group for the purpose of repaying part of the loans from the ultimate holding company. The Perpetual Loan Agreement took effect on 20 October 2014 and the Perpetual Loan had been granted to the Group. The Perpetual Loan bears interest at 6.5% per annum. Interest payments on the Perpetual Loan are paid annually in arrears from 20 October 2014 and can be deferred at the discretion of the Group. Neither the ultimate holding company nor the Bank could request for repayment of the principal and accrued interest save and except for when the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

On 9 April 2019, 28 June 2018, 24 December 2017 and 22 December 2016, the Group repaid principal of the Perpetual Loan amounting to RMB1,200 million, RMB200 million, RMB500 million and RMB500 million to the ultimate holding company, respectively. As a result, the principal of the Perpetual Loan is amounted to RMB1,368 million as at 31 December 2022 (2021: RMB1,368 million).

On 16 December 2019 and 6 November 2020, COFCO, a non wholly-owned subsidiary of the Company, issued a Perpetual Note (ref. no. MTN737) through the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) in the PRC. The final total principal amount of this Perpetual Note (ref. no. MTN737) amounts to RMB3 billion with RMB1.5 billion on each issue carries coupon rate of 4.25% and 4.51% respectively. During December 2022, COFCO repaid the Perpetual Note amount to RMB1.5 billion and issued a Perpetual Note (ref. no. MTN001) through Bank of China Limited in the PRC on 29 December 2022. The total principal amount of this Perpetual Note (ref. no. MTN001) amounted to RMB1.5 billion and carried coupon rate of 5.10%. As a result, the principal of the Perpetual Loan is amounted to RMB3,000 million as at 31 December 2022 (2021: RMB3,000 million).

- (b) In December 2019, Zhejiang Herun Tiancheng Real Estate Co., Ltd (浙江和潤天成置業有限公司) (“Herun Tiancheng”), a non wholly-owned subsidiary of the Company and the immediate holding company has entered into a loan agreement (the “Herun Tiancheng Perpetual Loan Agreement”), pursuant to which the immediate holding company shall lend RMB1,486 million (the “Herun Tiancheng Perpetual Loan”) to Herun Tiancheng. The Herun Tiancheng Perpetual Loan Agreement took effect on 23 December 2019. The Herun Tiancheng Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. The principal doesn't have a maturity date and interest payments on the Herun Tiancheng Perpetual Loan are paid annually in arrears from 23 December 2019 and can be deferred at the discretion of Herun Tiancheng, or in the event of liquidation. On 25 December 2019, Herun Tiancheng repaid principal of the Herun Tiancheng Perpetual Loan amounting to RMB560 million to the immediate holding company. In 2019 and 2021, the company repaid the Perpetual Loan principal of RMB560 million and RMB843 million to immediate holding company respectively. As a result, the principal of the Herun Tiancheng Perpetual Loan reduced to RMB83 million (2021: RMB83 million) as at 31 December 2022.

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37. PERPETUAL CAPITAL INSTRUMENTS (continued)

- (c) In December 2019, Beijing Kunting Asset Management Co., Ltd (北京昆庭資產管理有限公司) (“Beijing Kunting”), a non wholly-owned subsidiary of the Company, and the immediate holding company has entered into a loan agreement (the “Beijing Kunting Perpetual Loan Agreement”), pursuant to which the immediate holding company shall lend RMB916 million (the “Beijing Kunting Perpetual Loan”) to Beijing Kunting. The Beijing Kunting Perpetual Loan Agreement took effect on 31 December 2019. The Beijing Kunting Perpetual Loan bears interest at 4.35% per annum for the first five years, and adjusts each five years according to 5-year arithmetic average of PRC treasury bond yield. The principal doesn’t have a maturity date and interest payments on the Beijing Kunting Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Beijing Kunting, or in the event of liquidation. On 25 December 2019, Beijing Kunting repaid principal of the Beijing Kunting Perpetual Loan amounting to RMB542 million to the immediate holding company. In 2021, the company repaid the Beijing Kunting Perpetual Loan principal of RMB341 million to immediate holding company. As a result, the principal of the Beijing Kunting Perpetual Loan reduced to RMB33 million (2021: RMB33 million) as at 31 December 2022.
- (d) In December 2020, the Company has entered into a loan agreement (the “Company Perpetual Loan Agreement”) with a fellow subsidiary, pursuant to which the fellow subsidiary shall lend HK\$900 million (RMB760 million) (the “Company Perpetual Loan”) to the Company. The Company Perpetual Loan Agreement took effect on 31 December 2020. The Company Perpetual Loan bears interest at 3-month Hongkong InterBank Offered Rate (“HIBOR”) plus 1.15% per annum for the first three years, and adjusts each three years according to 3 month arithmetic average of HIBOR. The principal doesn’t have a maturity date and interest payments on the Company Perpetual Loan are paid annually in arrears from 31 December 2020 and can be deferred at the discretion of the Company, or in the event of liquidation. In September 2021, the Company repaid the Company Perpetual Loan principal of HK\$120 million (RMB101 million) to the fellow subsidiary. As a result, the principal of the Company Perpetual Loan reduced to HK\$780 million (RMB659 million) as at 31 December 2021.
- In August 2021, the Company has entered into a loan agreement with a fellow subsidiary, pursuant to which the fellow subsidiary shall lend HK\$274 million (RMB228 million) to the Company. The Company Perpetual Loan Agreement took effect on 16 August 2021. The Company Perpetual Loan bears interest at 3-month Hongkong InterBank Offered Rate (“HIBOR”) plus 1.15% per annum for the first three years, and adjusts each three years according to 3 month arithmetic average of HIBOR.
- In 2022, the Company repaid the perpetual loan principal of HK\$63 million (RMB54 million) to the fellow subsidiary. As a result, the principal of the perpetual loan from fellow subsidiary reduced to HK\$991 million (RMB833 million) as at 31 December 2022.
- (e) In December 2019, Jinan Joy City Co., Ltd. (濟南大悅城產業發展有限公司) (“Jinan Joy City”), a 60%-owned subsidiary of the Company has entered into a loan agreement (the “Jinan Joy City Perpetual Loan Agreement”), pursuant to which Qingdao Zhiyue Co., Ltd., one of the wholly-owned subsidiary of Jinan Joy City, and a non-controlling interest shall lend RMB2,088 million (the “Jinan Joy City Perpetual Loan”) to Jinan Joy City. The loan from the non-controlling interest amounts to RMB835 million. The Jinan Joy City Perpetual Loan Agreement took effect on 31 December 2019. The Jinan Joy City Perpetual Loan bears interest at 4.35% per annum for the first five years and adjusts each five years according to 5-year arithmetic average of PRC Treasury bond yield. The principal doesn’t have a maturity date and interest payments on the Jinan Joy City Perpetual Loan are paid annually in arrears from 31 December 2019 and can be deferred at the discretion of Jinan Joy City, or in the event of liquidation. In 2020, Jinan Joy City repaid principal of the Perpetual Loan amounting to RMB148 million to non-controlling interests. In 2021, Jinan Joy City repaid principal of the Perpetual Loan amounting to RMB270 million to non-controlling interests. In 2022, Jinan Joy City repaid principal of the Perpetual Loan amounting to RMB70 million to non-controlling interests. As a result, the loan from non-controlling interests reduced to RMB347 million as at 31 December 2022 (2021: RMB417 million).

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37. PERPETUAL CAPITAL INSTRUMENTS (continued)

- (f) In July 2021, Chongqing Zeyue Industrial Co., Ltd. (“重慶澤悅實業有限公司”) (“Chongqing Zeyue”), a wholly-owned subsidiary of the Company, and the immediate holding company entered into a loan agreement (the “Chongqing Zeyue Perpetual Loan Agreement”), pursuant to which the direct holding company shall lend Chongqing Zeyue RMB470 million (“Chongqing Zeyue Perpetual Loan”). The Chongqing Zeyue Perpetual Loan Agreement became effective on 14 July 2021. The interest rate of Chongqing Zeyue Perpetual Loan is calculated at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn't have a maturity date and interest payments on the Chongqing Zeyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Chongqing Zeyue, or in the event of liquidation. In 2022, Chongqing Zeyue repaid principal of Chongqing Zeyue Perpetual Loan amounting to RMB200 million to the immediate holding company. As a result, the principal of the Chongqing Zeyue Perpetual Loan reduced to RMB270 million as at 31 December 2022 (2021: RMB470 million).
- (g) In July 2021, Chengdu Tianfu Chenyue Real Estate Co., Ltd. (“成都天府辰悅置業有限公司”) (“Tianfu Chenyue”), a wholly-owned subsidiary of the Company, and the immediate holding company, entered into a loan agreement (the “Tianfu Chenyue Perpetual Loan Agreement”), pursuant to which the immediate holding company shall lend RMB220 million to Tianfu Chenyue (the “Tianfu Chenyue Perpetual Loan”). The Tianfu Chenyue Perpetual Loan Agreement became effective on 13 July 2021. The Tianfu Chenyue Perpetual Loan carries interest at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn't have a maturity date and interest payments on the Tianfu Chenyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Tianfu Chenyue, or in the event of liquidation. As at 31 December 2022, the principal of the Tianfu Chenyue Perpetual Loan amounted to RMB220 million (2021: RMB220 million).
- (h) In July 2021, Qingdao Zhiyue Land Co., Ltd. (“青島智悅置地有限公司”) (“Qingdao Zhiyue”), a wholly-owned subsidiary of the Company, and the immediate holding company entered into a loan agreement (the “Qingdao Zhiyue Perpetual Loan Agreement”), Accordingly, the immediate holding company shall lend RMB40 million to Qingdao Zhiyue (the “Qingdao Zhiyue Perpetual Loan”). The Qingdao Zhiyue Perpetual Loan Agreement became effective on 14 July 2021. The Qingdao Zhiyue perpetual loan carries interest at an annual interest rate of 1.15% for the first five years. Starting from the sixth interest-bearing year, the interest rate is adjusted every five years and remains unchanged during the five years. The principal doesn't have a maturity date and interest payments on the Qingdao Zhiyue Perpetual Loan are paid quarterly in arrears from 14 July 2021 and can be deferred at the discretion of Qingdao Zhiyue, or in the event of liquidation. As at 31 December 2022, the principal of the Qingdao Zhiyue Perpetual Loan amounted to RMB40 million (2021: RMB40 million).

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37. PERPETUAL CAPITAL INSTRUMENTS (continued)

- (i) In October 2021, Nanjing Yuejincheng Real Estate Industry Co., Ltd. (“南京悦錦成房地產實業有限公司”) (“Nanjing Yuejincheng”), a 50%-owned subsidiary of the Company, the non-controlling interests and a wholly-owned subsidiary entered into a loan agreement (the “Nanjing Yuejincheng Perpetual Loan Agreement”), pursuant to which the non-controlling interest shall lend to Nanjing Yuejincheng RMB1,530 million (“Nanjing Yuejincheng Perpetual Loan”). The Nanjing Yuejincheng Perpetual Loan Agreement became effective on 20 October 2021. For the first five years of Nanjing Yuejincheng Perpetual Loan, interest is calculated at an annual interest rate of 4%. Starting from the sixth interest-bearing year, the loan interest rate is the five-year loan market quoted interest rate announced by the National Interbank Funding Center in the month in which the loan occurred, plus the five-year interest rate. Initial spread plus 3%. The principal doesn't have a maturity date and interest payments on the Nanjing Yuejincheng Perpetual Loan are paid quarterly in arrears from 20 October 2021 and can be deferred at the discretion of Nanjing Yuejincheng, or in the event of liquidation. In 2022, Nanjing Yuejincheng repaid principal of the Nanjing Yuejincheng Perpetual Loan amounting to RMB945 million to the non-controlling interests. As a result, the principal of the Nanjing Yuejincheng Perpetual Loan reduced to RMB585 million as at 31 December 2022 (2021: RMB1,530 million).

As the Group has the right to defer the repayments of the principal and accrued interest of the perpetual loans and perpetual note mentioned above at its sole discretion, and it has no direct or indirect contractual financial obligation to pay cash or other financial asset in respect of them, they are therefore classified as equity in the consolidated statement of financial position.

In addition, no guarantee of any kind is required to be given by any member of the Group to either the ultimate holding company or the Bank for these perpetual loans.

38. CONTINGENT LIABILITIES

(a) Guarantees

	At 31 December	
	2022 RMB'000	2021 RMB'000
Guarantees provided by the Group in respect of		
loan facilities utilised by property buyers	4,457,475	4,769,836
loan facilities utilised by an associate	196,000	600,000
loan facilities utilised by a joint venture	865,000	865,000
	5,518,475	6,234,836

The Group has pledged certain bank deposits (details set out in Note 28) and provided guarantees to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's properties. These guarantees will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

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38. CONTINGENT LIABILITIES (continued)

(a) Guarantees (continued)

In July 2021, Joy City (Beijing) provided a guarantee for an amount up to RMB865,000,000 in favour of two PRC commercial banks, for the performance of the repayment obligations of Golden Shifeng Real Estate Development Co., Ltd. ("Golden Shifeng"), a 50%-owned joint venture of the Group, to the bank in respect of a loan provided by the bank to Golden Shifeng. The loan is used to repay the stock loan of Golden Shifeng and the renovation of Beijing Daxing Chunfengli project. In return, Golden Shifeng has provided back-to-back guarantees of an aggregate indemnification amount of RMB865,000,000 to the Group in relation to the guarantee and the share pledge respectively provided by the Group pursuant to which Golden Shifeng would indemnify the Group if the Group has assumed liabilities due to default of Golden Shifeng.

In June 2022, the Company provided a guarantee for an amount up to RMB196,000,000 in respect of a loan provided by a third party to a wholly owned subsidiary of the associate company, Fancy Merit Ltd., for the construction and development of commercial properties.

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

The Group has certain non-compliance incidents which are relating to the failure to comply with certain terms and conditions of the relevant construction works planning permits in respect of two projects, Chaoyang Joy City and Shenyang Joy City. The Group may be subject to a fine of up to 10% of the construction cost of the noncompliant structure or the excess area (as the case may be), demolition of the relevant property and confiscation of any illegal revenue.

The construction costs of Chaoyang Joy City amounted to RMB3,377 million, including the cost for the non-compliant structure of RMB42 million. The non-compliant structure has been occupied as office and has not generated any revenue, and accordingly, the Directors believe that there would not be illegal revenue subject to confiscation. Chaoyang Joy City generated revenue since the year 2010 and it has not received any notification from the relevant authorities with respect to the non-compliant structure since the commencement of operation. The aggregate revenue of the shopping mall of Chaoyang Joy City since it generated revenue up to 31 December 2022 amounted to RMB6,598 million (2021: RMB6,045 millions).

The construction costs of Shenyang Joy City amounted to RMB1,943 million, including an estimated cost for the excess area of RMB81 million. The excess area has been utilised as passageways for commercial use and has generated only a small percentage of the aggregate revenue of Shenyang Joy City. Shenyang Joy City generated revenue since the year 2009 and it has not received any notification from the relevant authorities with respect to the excess area since the commencement of operation, and accordingly, the Directors believe that the likelihood for the confiscation of any illegal revenue is low, and any action taken by the authorities will have minimal impact on the income and performance of Shenyang Joy City. The aggregate revenue of Shenyang Joy City since it generated revenue up to 31 December 2022 amounted to RMB3,088 million (2021: RMB2,863 millions).

Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the management of the Group considers that the risk of the above losses is remote, and accordingly, no provision has been made. In addition, COFCO Corporation, the ultimate holding company of the Company, has undertaken to indemnify the Company against all penalties, losses and expenses in connection with the above non-compliances.

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39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of office premises, retail shops and residential premises which fall due as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Within one year	2,996,218	3,204,702
In the second year	1,869,960	2,447,966
In the third year	1,219,209	1,652,052
In the fourth year	811,761	1,115,372
In the fifth year	557,529	822,822
After five years	1,066,396	2,021,511
	8,521,073	11,264,425

Leases are negotiated for an average term of 1 to 15 years (2021: 1 to 20 years) mostly with fixed rentals. Certain lease arrangements contain rental escalation clauses which increase the monthly rental on a yearly basis.

40. CAPITAL COMMITMENTS

The Group had the following commitments as at the end of each reporting period:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Capital commitments in respect of:		
Constructing and developing investment properties contracted, but not provided for	1,237,292	1,586,038
Capital injection commitments to a fund	1,386,037	1,705,252
	2,623,329	3,291,290

Notes to the Consolidated Financial Statements

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41. PLEDGE OF ASSETS

The carrying amounts of the non-current and current assets pledged to secure loan facilities granted to the Group by banks and loan facilities utilised by property buyers, are as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Investment properties	34,824,040	30,673,070
Property, plant and equipment	2,397,126	2,518,314
Properties under development for sale	16,661,914	10,622,463
Properties held for sale	709,548	–
Right-of-use assets	1,380,115	1,434,517
Accounts receivable	24,890	26,089
Pledged deposits	5,402	5,500
	56,003,035	45,279,953

42. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
<i>Financial assets:</i>		
Financial assets at amortised cost	23,084,839	14,707,158
Financial assets at FVTPL:		
– Equity instruments	510	510
– Loan to an associate	409,518	374,891
Hedging instruments designated in cash flow hedges	398,975	230
<i>Financial liabilities:</i>		
Amortised cost	58,390,256	48,108,329
Hedging instruments designated in cash flow hedges	–	158,410
Financial liabilities at FVTPL	389,517	379,889
Rental deposits received	1,032,484	1,069,250

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at FVTPL, amounts due from/to fellow subsidiaries, holding companies, joint ventures, associates, and non-controlling interests, loans from/to joint ventures, associates, fellow subsidiaries, non-controlling interests and third parties, accounts receivables, deposits and other receivables, accounts and other payables, bank borrowings, pledged deposits, restricted bank deposits and cash and bank balances, bonds payable and hedging instruments. Details of these financial instruments are disclosed in respective notes to these consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group has account balances denominated in foreign currencies, hence exposure to exchange rate fluctuations arises.

The Group uses foreign exchange forward contracts to eliminate the currency exposures. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to US\$820,000,000 (2021: US\$1,053,000,000). It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged item to maximise hedge effectiveness.

Of the foreign currency denominated monetary liabilities at the end of the reporting period, bank borrowings are hedged by foreign exchange forward contracts and designated as effective hedging relationship.

At 31 December 2022, the group entities with RMB as functional currency have bank balances denominated in foreign currencies which mainly consist of HK\$ and US\$ as set out in Note 28, amounts due to fellow subsidiaries, non-controlling interests and immediate holding company which mainly consist of HK\$ and US\$ as set out in Note 27, loan to associates and joint ventures and loan from non-controlling interests which consist of US\$ as set out in Note 23 and bank borrowings which mainly consist of HK\$ and US\$ as set out in Note 31 which expose the Group to foreign currency risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against US\$/HK\$ while all other variables are held constant, which represents the Directors' assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding US\$/HK\$ denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rate and excludes the effect on foreign currency denominated borrowings that are under an effective hedging relationship as the Group's net exposure to currency risk arising from the hedging relationship is insignificant. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against US\$/HK\$ and vice versa.

	2022 RMB'000	2021 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– if RMB weakens against US\$	(27,928)	(248,273)
– if RMB strengthens against US\$	27,928	248,273
– if RMB weakens against HK\$	(39,001)	(160,814)
– if RMB strengthens against HK\$	39,001	160,814

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from/to associates, joint ventures, third parties and non-controlling interests, fixed-rate bank borrowings, bonds payable (see Notes 23, 31 and 32 respectively for details) and lease liabilities.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate bank borrowings, variable-rate loans from fellow subsidiaries, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The Group manage its interest rate exposures by entering into interest rate swap contract as detailed in Note 31.

The interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in Note 31. The interest rates and terms of repayment of the interest-bearing loans from/to fellow subsidiaries, associates, joint ventures, non-controlling interests and third parties of the Group are disclosed in Note 23. It is the Group's policy to negotiate the terms of the interest-bearing bank borrowings in order to balance the interest rate exposure.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk management (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	2022 RMB'000	2021 RMB'000
Other income	291,048	265,881

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (excluding derivative financial instruments) at the end of the reporting period. The sensitivity analysis excludes the effect on variable-rate bank borrowings that are under an effective hedging relationship as the Group's net exposure to interest rate risk arising from the hedging relationship is insignificant. For remaining variable-rate bank loans and variable-rate loans from fellow subsidiaries, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark interest rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings.

A 50 (2021: 50) basis points increase or decrease in variable-rate bank borrowings, variable-rate loans from fellow subsidiaries and interest rate swaps designated to hedge cash flow interest rate risk during the year are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 (2021: 50) basis points higher/lower during the year and all other variables were held constant, the impact on post-tax profit after taking into account the interest capitalisation effect is set out below.

	2022 RMB'000	2021 RMB'000
(Decrease)/increase in post-tax profit for the year:		
– interest rates 50 basis points higher	(115,123)	(82,966)
– interest rates 50 basis points lower	115,123	82,966

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position and the financial guarantee contracts as disclosed in Note 38.

At as 31 December 2022, the Group's credit risk is primarily attributable to its loans to/amounts due from fellow subsidiaries, the ultimate holding company, joint ventures, associates and non-controlling interests, accounts and other receivables, pledged deposits, restricted bank deposits, cash and bank balances, and financial guarantee contracts. In order to minimise the credit risk of accounts receivable, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the loans to/amounts due from fellow subsidiaries, joint ventures, associates and non-controlling interests, the management of the Group is in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records, and/or the financial position of the entities.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation. The Group has no significant concentration of credit risk on liquid funds, with exposure spread over a number of banks.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The table below details the credit risk exposures of the Group's financial assets, operating lease receivables and financial guarantee contracts, which are subject to ECL assessment:

				31 December	
	Notes	Internal Credit rating	12-month or lifetime ECL	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
Financial assets at amortised costs					
Deposit, prepayments and other receivables	a	Low risk	12m ECL – provision matrix	568,760	768,439
Accounts receivable	b	Doubtful	Lifetime ECL (not credit-impaired) – provision matrix	21,963	25,141
Accounts receivable	b	Low risk	Lifetime ECL (not credit-impaired) – provision matrix	10,163	25,980
Loans to associates, joint ventures and non-controlling interests	a	Low risk	12m ECL	4,626,602	2,624,551
Amounts due from ultimate holding company, fellow subsidiaries, joint ventures, associates and non-controlling interests	a	Low risk	12m ECL	912,174	787,151
Cash and bank balances		Low risk	12m ECL	16,895,367	10,352,897
Restricted bank deposit		Low risk	12m ECL	84,892	127,216
Pledged deposits		Low risk	12m ECL	5,402	5,500
Other items					
Lease receivables included in accounts receivable	b	Low risk	Lifetime ECL (not credit-impaired) – provision matrix	107,452	119,351
Financial guarantee contracts	c	Low risk	12m ECL	5,518,475	6,234,836

Notes:

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- For accounts receivables (including lease receivables), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired which assessed individually, the Group determines the ECL on these items by using a provision matrix.
- For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers/debtors in relation to its rental and other operations. The management assessed the exposure to credit risk for account receivables based on provision matrix as at 31 December 2022 and 2021 within lifetime ECL.

The estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movements in lifetime ECL that has been recognised for accounts receivable (including lease receivables) under the simplified approach:

	Lifetime ECL (not credit impaired) RMB'000
As at 1 January 2021:	35,668
– Impairment losses recognised	8,783
– Impairment losses reversed	(1,535)
– Impairment losses write off	(17,775)
As at 31 December 2021	25,141
– Impairment losses recognised	13,052
– Impairment losses reversed	(3,200)
– Impairment losses write off	(13,030)
At 31 December 2022	21,963

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000
As at 1 January 2021:	33,822
– Impairment losses recognised	1,795
– Impairment losses write off	(532)
As at 31 December 2021	35,085
– Impairment losses recognised	4,293
– Impairment losses reversed	(751)
– Impairment losses write off	(1,670)
At 31 December 2022	36,957

The following table shows reconciliation of loss allowances that has been recognised for loan to an associate:

	12m ECL RMB'000
As at 1 January 2021:	–
– Impairment losses recognised	299,439
As at 31 December 2021	299,439
– Impairment losses recognised	35,845
– Transferred to share of losses and other comprehensive expenses (note)	(299,439)
As at 31 December 2022	35,845

Note:

During the year ended 31 December 2021, the Group recognised share of losses and other comprehensive expenses amounted to RMB299,439,000 to the extent of loan as impairment loss. During the year ended 31 December 2022, the Group injected capital to the associate as set out in note 20 and transferred the impairment on the net investment in the associate (i.e. loan to associate) recognised during the year ended 31 December 2021 to share of losses and other comprehensive expenses.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management (continued)

The following table shows reconciliation of loss allowances that has been recognised for amount due from fellow subsidiaries:

	12m ECL RMB'000
As at 1 January 2021 and 31 December 2021:	–
– Impairment losses recognised	7,336
As at 31 December 2022	7,336

The following table shows reconciliation of loss allowances that has been recognised for amount due from joint ventures:

	12m ECL RMB'000
As at 1 January 2021 and 31 December 2021:	–
– Impairment losses recognised	45,764
As at 31 December 2022	45,764

The following table shows reconciliation of loss allowances that has been recognised for amount due from non-controlling interest:

	12m ECL RMB'000
As at 1 January 2021 and 31 December 2021:	–
– Impairment losses recognised	71
As at 31 December 2022	71

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the contractual maturity of the Group for its non-derivative financial liabilities and derivative instrument. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of each reporting period.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2022							
Accounts payable	–	6,004,257	–	–	–	6,004,257	6,004,257
Other payables at amortised cost	–	5,269,477	217,582	272,902	86,377	5,846,338	5,846,338
Lease liabilities	4.39%-4.90%	98,552	50,416	57,327	7,606	213,901	202,814
Obligation arising from put option to non-controlling shareholder	5.00%	–	389,517	–	–	389,517	389,517
Bank borrowings	3.20%-6.36%	6,126,091	6,085,566	13,334,514	1,641,671	27,187,842	24,342,372
Amount due to the ultimate holding company	–	8	–	–	–	8	8
Amount due to an intermediate holding company	–	17,591	–	–	–	17,591	17,591
Amounts due to non-controlling interests	–	199,064	–	–	–	199,064	199,064
Amounts due to joint ventures	–	789,190	–	–	–	789,190	789,190
Amount due to an associate	–	511,904	–	–	–	511,904	511,904
Amounts due to fellow subsidiaries	–	287,899	–	–	–	287,899	287,899
Loan from a joint venture	3.85%	–	–	5,789,430	–	5,789,430	5,574,800
Loans from fellow subsidiaries	2.14%-4.00%	226,597	390,255	41,080	678,600	1,336,532	1,290,149
Loans from non-controlling interests	3.00%-6.00%	1,833,015	17,975	803,897	–	2,654,887	2,654,887
Loans from third parties	3.80%-6.50%	26,531	1,036,413	3,164,914	4,094,692	8,322,550	7,924,360
Bonds payable	3.08%-4.10%	1,032,083	1,403,935	1,757,631	–	4,193,649	3,979,921
		22,422,259	9,591,659	25,221,695	6,508,946	63,744,559	60,015,071
Financial guarantee contracts		5,518,475	–	–	–	5,518,475	5,518,475
Derivatives – net settlement							
Interest rate swaps	–	–	241,852	–	–	241,852	241,852
Foreign exchange forward contracts	–	157,123	–	–	–	157,123	157,123
		157,123	241,852	–	–	398,975	398,975

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For the year ended 31 December 2022

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

Liquidity tables (continued)

	Weighted average interest rate %	Repayable on demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2021							
Accounts payable	–	5,276,556	–	–	–	5,276,556	5,276,556
Other payables at amortised cost	–	3,279,500	219,016	301,702	93,574	3,893,792	3,893,792
Lease liabilities	4.39%-4.61%	79,161	93,308	88,479	3,688	264,636	248,469
Obligation arising from put option to non-controlling shareholder	5%	–	–	379,889	–	379,889	379,889
Bank borrowings	1.11%-5.70%	8,908,223	3,620,060	8,764,994	1,040,701	22,333,978	21,176,630
Amount due to the ultimate holding company	–	28	–	–	–	28	28
Amount due to an intermediate holding company	–	660	–	–	–	660	660
Amount due to the immediate holding company	–	15,550	–	–	–	15,550	15,550
Amounts due to non-controlling interests	–	367,599	–	–	–	367,599	367,599
Amounts due to joint ventures	–	336,707	–	–	–	336,707	336,707
Amount due to an associate	–	94,469	–	–	–	94,469	94,469
Amounts due to fellow subsidiaries	–	202,510	–	–	–	202,510	202,510
Loan from a joint venture	3.85%	2,622,005	–	–	–	2,622,005	2,524,800
Loans from non-controlling interests	3.85%-6.00%	2,112,332	–	–	–	2,112,332	1,953,326
Loans from third parties	3.80%-6.50%	1,613,740	1,553,605	2,380,000	3,550,796	9,098,141	7,584,327
Loans from associates	2.12%-4.20%	1,060,536	219,355	466,929	158,686	1,905,506	1,765,044
Bonds payable	3.14%-4.10%	1,576,481	962,350	1,558,782	–	4,097,613	3,985,581
	–	27,546,057	6,667,694	13,940,775	4,847,445	53,001,971	49,805,937
Financial guarantee contracts	–	6,234,836	–	–	–	6,234,836	6,234,836
Derivatives – net settlement							
Interest rate swaps	–	38,774	–	39,570	–	78,344	78,344
Foreign exchange forward contracts	–	79,836	–	–	–	79,836	79,836
	–	118,610	–	39,570	–	158,180	158,180

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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For the year ended 31 December 2022

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value

In estimating the fair value, the Group uses market-observable data to the extent it is available. Except for interest rate swaps, foreign currency forward contracts, loan to an associate, and obligation arising from put option to non-controlling shareholder, there is no other material financial instruments measured at fair value on a recurring basis. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2022	31/12/2021		
Interest rate swaps (designed as hedging instruments)	Assets – RMB241,852,000	Liabilities – Level 2 RMB78,344,000		Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Foreign currency forward contracts (designed as hedging instruments)	Assets – RMB157,123,000	Assets – Level 2 RMB230,000 Liabilities – RMB80,066,000		Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Loan to an associate	Assets – RMB409,518,000	Assets – Level 3 RMB374,891,000		Discounted cash flow. Future cash flows are estimated based on expected repayment of the loan from pre-sale proceeds arising from the properties of the associate, discounted at a rate that reflects the credit risk of the associate. A slight increase in the discounted rate used would result in a significant decrease in fair value, and vice versa.
Obligation arising from put option to non-controlling shareholder	Liabilities – RMB389,517,000	Liabilities – Level 3 RMB379,889,000		Discounted cash flow. Future cash flows are estimated based on the expected future economic benefits derived from the 49% ownership interest in Joy Valley held by the Partner, discounted at an appropriate discount rate. A slight increase in the discounted rate used would result in a significant decrease in fair value, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value (continued)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Apart from the above, the Group's overall strategy remains unchanged throughout the current and prior years.

The capital structure of the Group consists of net debt (which includes bank borrowings, loans from and/or amounts due to holding companies, fellow subsidiaries, joint venture, third parties and non-controlling interests, bonds payable), net of cash and cash equivalents and equity attributable to owners of the Company (comprising issued equity, CPS, reserves and retained profits as disclosed in consolidated statement of changes in equity).

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

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45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Interest payable	Loans from fellow subsidiaries	Loans from third parties	Loans from non-controlling interests	Loan from a joint venture	Bonds payable	Amount due to an associate	Amounts due to fellow subsidiaries	Amounts due to non-controlling interests	Amount due to joint ventures	Amount due to the immediate holding company	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 30	Note 23	Note 23	Note 23	Note 23	Note 32	Note 27	Note 27	Note 27	Note 27	Note 27	Note 12	
At 1 January 2022	21,176,630	31,843	1,765,044	7,584,327	1,953,326	2,524,800	3,985,581	202,510	94,469	367,599	336,707	15,550	50,316	40,088,702
Financing cash flows	1,630,021	(1,191,238)	(493,078)	330,560	701,561	3,050,000	(140,202)	308,623	(35,837)	(248,501)	285,445	-	-	4,197,354
Exchange realignment	1,535,721	-	18,183	-	-	-	-	-	1,234	(17,005)	350	-	4,631	1,543,114
Interest expense	-	1,197,379	-	-	-	-	134,542	771	59,275	112,777	183,580	-	-	1,688,324
Operating activities related	-	-	-	-	-	-	-	-	51,532	30,595	(16,892)	-	-	65,235
Others	-	-	-	9,473	-	-	-	-	117,226	(46,401)	-	(15,550)	-	64,748
At 31 December 2022	24,342,372	37,984	1,290,149	7,924,360	2,654,887	5,574,800	3,979,921	511,904	287,899	199,064	789,190	-	54,947	47,647,477

Note: Dividend payable was included under other payable and accruals.

	Borrowings	Interest payable	Loans from fellow subsidiaries	Loans from third parties	Loans from non-controlling interests	Loan from a joint venture	Bonds payable	Amount due to an associate	Amounts due to fellow subsidiaries	Amounts due to non-controlling interests	Amount due to the immediate holding company	Amount due to joint ventures	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 30	Note 23	Note 23	Note 23	Note 23	Note 32	Note 27	Note 27	Note 27	Note 27	Note 27	Note 12	
At 1 January 2021	22,710,137	29,354	1,441,661	5,135,031	559,712	274,800	4,741,350	201,797	152,140	1,424,712	-	19,400	39,849	36,729,943
Financing cash flows	(1,298,496)	(1,072,552)	329,160	2,443,800	1,393,614	2,250,000	(907,570)	-	(234,130)	(2,095,866)	(248,951)	267,703	(106,168)	720,544
Exchange realignment	(235,011)	-	(5,777)	-	-	-	-	-	-	19,432	-	18,309	-	(203,047)
Interest expense	-	1,077,285	-	-	-	-	151,801	713	79,093	98,641	-	31,295	-	1,438,828
Dividend	-	-	-	-	-	-	-	-	-	900,805	264,501	-	116,635	1,281,941
Operating activities related	-	-	-	-	-	-	-	-	97,366	19,875	-	-	-	117,241
Others	-	(2,244)	-	5,496	-	-	-	-	-	-	-	-	-	3,252
At 31 December 2021	21,176,630	31,843	1,765,044	7,584,327	1,953,326	2,524,800	3,985,581	202,510	94,469	367,599	15,550	336,707	50,316	40,088,702

Note: Dividend payable was included under other payable and accruals.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

Guarantee provided

Corporate guarantees were executed by a fellow subsidiary and the immediate holding company in relation to certain of the Group's loans from third parties and bank borrowings. Details of which are disclosed in the Notes 23 and 31 respectively above.

Related party transactions

During the year, the Group had the following material transactions with related parties.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue from leasing of properties to:		
Fellow subsidiaries *	143,894	150,618
Intermediate holding company *	2,686	3,236
Immediate holding company *	157	105
Associates	–	399
Provision of property management service by:		
Fellow subsidiaries *	60,912	45,154
Other revenue from:		
Fellow subsidiaries	1,177	–
Joint ventures	101,027	99,381
Sourcing of staple supplies and catering services from:		
Fellow subsidiaries *	3,851	3,055
Ultimate holding company *	1,228	1,129

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party transactions (continued)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Services fee for entrust loans from:		
Fellow subsidiaries*	1,862	1,782
Interest expense to:		
Fellow subsidiaries	59,275	79,092
A joint venture	183,580	31,295
Other expense to:		
Fellow subsidiaries	9,231	2,791

* These related party transactions also constituted continuing connected transactions according to the Listing Rules.

Related party balances

COFCO Finance Co., Ltd ("COFCO Finance"), a fellow subsidiary, is a non-banking financial institution regulated by the People's Bank of China (the "PBOC") and the China Banking and Insurance Regulatory Commission. In the PRC, deposit and lending rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The loans from COFCO Finance to the Group at 31 December 2022 amounted to RMB1,075,500,000 (2021: RMB1,568,578,000). The deposits placed in COFCO Finance were nil (2021: RMB1,485,000,000) at 31 December 2022.

Details of the Group's balances with related parties are disclosed in Notes 23 and 27. Except for balances with related parties below which are trade in nature, the remaining balances are non-trade in nature. The following is an aged analysis of balances with related parties which are trade in nature at the end of the reporting period based on invoice date.

	At 31 December	
	2022 RMB'000	2021 RMB'000
Amounts due from fellow subsidiaries:		
Within 1 year	25,478	52,114
Amounts due to fellow subsidiaries:		
Within 1 year	91,295	89,623

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, allowance and other benefits	19,035	43,864
Retirement benefit scheme contributions	3,028	3,532
	22,063	47,395

The key management personnel of the Group includes the Directors and certain top executives of the Company. The remuneration of certain of these Directors and top executives was borne by the ultimate holding company or fellow subsidiaries during the current and prior years. Further details of Directors' emoluments are included in Note 14.

Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the Directors consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions and balances with the ultimate holding company, an intermediate holding company and fellow subsidiaries set out in "Related party transactions" and "Related party balances" above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the Directors, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

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47. COMPOSITION OF THE GROUP

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment and place of business	Proportion of ownership interests held by non-controlling interests	Profit/(loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000 (Note (a))
Year ended 31 December 2022				
Sanya Yalong Development Company Limited and its subsidiaries ("Yalong Development group")	PRC	43.0%	216,508	1,806,476
Fortune Set	BVI	49.0%	79,395	9,472,913
Sunny Ease	BVI	49.0%	(108,726)	2,262,627
Speedy Cosmo Limited ("Speedy Cosmo")	HK	45.0%	(53,748)	1,452,247
Individually immaterial subsidiaries with non-controlling interests			101,783	5,925,212
Total			235,212	20,919,475
Year ended 31 December 2021				
Yalong Development group	PRC	43.0%	(12,278)	1,592,568
Fortune Set	BVI	49.0%	316,568	9,393,181
Sunny Ease	BVI	49.0%	42,001	2,397,644
Speedy Cosmo	HK	45.0%	37,831	1,505,995
Individually immaterial subsidiaries with non-controlling interests			155,992	4,960,423
Total			540,114	19,849,811

Note:

- (a) The amounts represent the consolidated amount of these non-wholly-owned subsidiaries and their respective subsidiaries, as applicable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Summarised consolidated financial information in respect of each of the subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

Yalong Development group

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	8,527,815	9,466,235
Non-current assets	2,565,204	2,521,546
Current liabilities	(6,975,089)	(8,115,960)
Non-current liabilities	(35,697)	(248,131)
Net assets	4,082,233	3,623,690
Equity attributable to:		
Owners of the Company	2,275,757	2,031,122
Non-controlling interests	1,494,385	1,279,806
Non-controlling interests of subsidiary	312,091	312,762
Total equity	4,082,233	3,623,690

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Yalong Development group (continued)

	At 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	2,425,247	362,935
Other income, and other gains and losses, net	18,211	66,412
Fair value gain of investment properties	(4,221)	1,953
Total expenses	(1,940,684)	(467,514)
Profit/(loss) and total comprehensive income/(expense) for the year	498,553	(36,214)
Profit/(loss) and total comprehensive income/(expense) attributable to:		
Owners of the Company	282,045	(23,937)
Non-controlling interests	214,578	(15,585)
Non-controlling interests of subsidiary	1,930	3,308
	498,553	(36,214)
Dividends declared to non-controlling interests	(2,600)	(16,000)
Net cash inflow/(outflow) from:		
Operating activities	208,346	(718,820)
Investing activities	(86,986)	(95,315)
Financing activities	(220,432)	515,546
Net cash outflow	(99,072)	(298,589)

Notes to the Consolidated Financial Statements

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47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	12,806,983	15,503,660
Non-current assets	30,261,815	30,631,609
Current liabilities	(21,393,591)	(22,338,491)
Non-current liabilities	(496,426)	(2,502,192)
Net assets	21,178,781	21,294,586
Equity attributable to:		
Owners of the Company	7,017,058	7,329,332
Perpetual capital instruments	4,688,812	4,572,073
Non-controlling interests	8,941,025	8,893,918
Non-controlling interests of subsidiary	531,886	499,263
Total equity	21,178,781	21,294,586

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47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Fortune Set (continued)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	8,046,474	2,765,795
Other income, and other gains and losses, net	(342,644)	64,642
Total expenses	(7,327,269)	(1,968,608)
Profit and total comprehensive income for the year	376,561	861,829
Profit and total comprehensive income attributable to:		
Owners of the Company	49,027	136,907
Perpetual capital instruments	248,139	260,078
Non-controlling interests	47,106	422,276
Non-controlling interests of subsidiary	32,289	42,568
Profit and total comprehensive income for the year	376,561	861,829
Dividends declared to non-controlling interests	(172,942)	(499,333)
Net cash inflow/(outflow) from:		
Operating activities	3,192,367	1,564,240
Investing activities	(42,827)	(88,115)
Financing activities	(2,577,449)	(1,388,130)
Net cash inflow	572,091	87,995

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47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Sunny Ease

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	3,526,471	3,150,700
Non-current assets	5,396,757	5,478,584
Current liabilities	(3,300,214)	(5,372,537)
Non-current liabilities	(2,802,974)	(19,494)
Total equity	2,820,040	3,237,253
Equity attributable to:		
Owners of the Company	557,413	839,609
Non-controlling interests	2,262,627	2,397,644
Total equity	2,820,040	3,237,253
Revenue	281,926	304,085
Other income, and other gains and losses, net	(215,797)	100,834
Total expenses	(288,019)	(319,203)
(Loss)/profit and total comprehensive (expense)/income for the year	(221,890)	85,716
(Loss)/profit and total comprehensive (expense)/income attributable to:		
Owners of the Company	(113,164)	43,715
Non-controlling interests	(108,726)	42,001
(Loss)/profit and total comprehensive (expense)/income for the year	(221,890)	85,716
Dividends declared to non-controlling interests	(26,291)	(69,425)
Net cash inflow/(outflow) from:		
Operating activities	299,833	158,836
Investing activities	(4,504)	(9,422)
Financing activities	(113,206)	(69,027)
Net cash inflow	182,123	80,387

Notes to the Consolidated Financial Statements

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47. COMPOSITION OF THE GROUP (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (continued)

Speedy Cosmo

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	1,556,055	2,034,592
Non-current assets	3,148,278	3,307,564
Current liabilities	(1,310,873)	(1,792,168)
Non-current liabilities	(83,025)	(120,112)
Total equity	3,310,435	3,429,876
Equity attributable to:		
Owners of the Company	1,774,967	1,840,660
Perpetual capital instruments	83,221	83,221
Non-controlling interests	1,452,247	1,505,995
Total equity	3,310,435	3,429,876
Revenue	292,786	848,278
Other income, and other gains and losses, net	64,319	14,244
Fair value gain of investment properties	(267,169)	(48,995)
Total expenses	(209,377)	(729,459)
(Loss)/profit and total comprehensive (expense)/income for the year	(119,441)	84,068
(Loss)/profit and total comprehensive (expense)/income attributable to:		
Owners of the Company	(65,693)	46,237
Non-controlling interests	(53,748)	37,831
(Loss)/profit and total comprehensive (expense)/income for the year	(119,441)	84,068
Net cash (outflow)/inflow from:		
Operating activities	36,181	269,032
Investing activities	(26,517)	(3,774)
Financing activities	(26,038)	(1,360,944)
Net cash outflow	(16,374)	(1,095,686)

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48. DETAILS OF SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
Entities incorporated in Hong Kong and operating principally in Hong Kong						
Bapton Company Limited	HK\$2	–	–	100%	100%	Property investment
Joy Sincere (Hong Kong) Limited	HK\$390,656,370	–	–	51.96%	51.96%	Investment holding
Entities established in the PRC and operating principally in the PRC						
中糧置業投資有限公司 (COFCO Commercial Property Investment Co., Ltd*) (Note (c) and (e))	RMB5,000,000,000	–	–	100%	100%	Investment holding
西單大悅城有限公司 (Xidan Joy City Co., Ltd*) ("Xidan Joy City") (Note (d))	RMB1,025,000,000	–	–	100%	100%	Property investment and development
北京弘泰基業房地產有限公司 (Beijing Hongtaijiye Real Estate Co., Ltd.*) (Note (d))	RMB1,055,000,000	–	–	90%	90%	Property investment and development
大悅城(天津)有限公司 (Joy City (Tianjin) Co., Ltd.*) (Note (b))	RMB1,120,000,000	–	–	100%	100%	Property investment and development
大悅城(上海)有限責任公司 (Joy City (Shanghai) Co., Ltd.*) (Note (d))	RMB520,000,000	–	–	100%	100%	Property management
上海新蘭房地產開發有限公司 (Shanghai Xinlan Real Estate Development Co., Ltd.*) (Note (d))	RMB4,200,000,000	–	–	100%	100%	Property investment and development
瀋陽大悅城房產開發有限公司 (Shenyang Joy City Real Estate Development Co., Ltd.*) (Note (c))	US\$129,300,000	–	–	100%	100%	Property investment and development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
Entities established in the PRC and operating principally in the PRC (continued)						
瀋陽大悅城商業管理有限公司 (Shenyang Joy City Commercial Management Co., Ltd.*) (Note (d))	RMB1,080,000	–	–	100%	100%	Property management
煙臺大悅城有限公司 (Yantai Joy City Co., Ltd.*) (“Yantai Joy City Co”) (Note (c))	RMB900,000,000	–	–	100%	100%	Property investment and development
北京昆庭資產管理有限公司 (Beijing Kunting Asset Management Co., Ltd*) (“Beijing Kunting”) (Note (d))	RMB1,074,318,600	–	–	100%	100%	Property investment
中糧酒店(三亞)有限公司 (COFCO Hotel (Sanya) Limited.*) (Note (c))	US\$165,500,000	–	–	100%	100%	Hotel ownership and operations
三亞亞龍灣開發股份有限公司 (Sanya Yalong Development Company Limited*) (Note (b))	RMB671,000,000	–	–	56.96%	56.96%	Property development
三亞亞龍灣熱帶海岸公園管理有限公司 (Sanya Yalong Tropical Coast Park Management Co., Ltd.*) (Note (d))	RMB3,000,000	–	–	100%	100%	Provision of tourism service
三亞虹霞開發建設有限公司 (Sanya Hongxia Development & Construction Co., Ltd.*) (Note (d))	RMB1,339,500,000	–	–	80%	80%	Property development
三亞悅晟開發建設有限公司 (Sanya Yuesheng Development Company Limited) (Note (d))	RMB499,500,000	–	–	100%	100%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
Entities established in the PRC and operating principally in the PRC (continued)						
北京中糧廣場發展有限公司 (Beijing COFCO Plaza Development Co., Ltd.*) (Note (b))	US\$33,300,000	—	—	100%	100%	Property investment
四川凱萊物業管理有限公司 (Sichuan Gloria Properties Management Co.,Ltd.*) (Note (b))	RMB500,000	—	—	94%	94%	Property management
上海鵬利置業發展有限公司 (Shanghai Top Glory Real Estate Development Co., Ltd.*) (Note (c))	US\$70,000,000	—	—	100%	100%	Property investment and development
中糧鵬利(成都)實業發展有限公司 (COFCO Top Glory (Chengdu) Real Estate Development Co., Ltd.*) (Note (c))	US\$18,000,000	—	—	100%	100%	Property development
卓遠地產(成都)有限公司 (Zhuoyuan Property (Chengdu) Co., Ltd.*) (Note (c))	US\$166,250,000	—	—	100%	100%	Property investment and development
浙江和潤天成置業有限公司 (Zhejiang Herun Tiancheng Real Estate Co., Ltd.*) (Note (c))	RMB2,500,000,000	—	—	100%	100%	Property investment and development
上海悅耀置業發展有限公司 (Shanghai Yueyao Development Co., Ltd.*) (Note (b))	RMB1,862,934,229	—	—	50% (Note (a))	50% (Note (a))	Property development
四川中國酒城股份有限公司 (Sichuan China Jiucheng Co., Ltd.*) (Note (d))	RMB80,308,230	—	—	69.65%	69.65%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
Entities established in the PRC and operating principally in the PRC (continued)						
重慶澤悅實業有限公司 (Chongqing Zeyue Co., Ltd.*) (Note (c))	RMB900,000,000	—	—	100%	100%	Property development
青島大悅城房地產開發有限公司 (Qingdao Joy City Co., Ltd.*) (Note (c))	RMB1,329,880,000	—	—	100%	100%	Property development
青島智悅置地有限公司 (Qingdao Zhiyue Co., Ltd.*) (Note (c))	US\$100,000,000	—	—	100%	100%	Property development
武漢大悅城房地產開發有限公司 (Wuhan Joy City Co., Ltd.*) (Note (c))	RMB1,457,370,000	—	—	100%	100%	Property development
瀋陽和韜房地產開發有限公司 (Shenyang Hetao Real Estate Development Co., Ltd.*) (Note (c))	US\$85,000,000	—	—	100%	100%	Property development
成都天府辰悅置業有限公司 (Chengdu Tianfu Chenyue Development Co., Ltd.*) (Note (c))	RMB630,000,000	—	—	100%	100%	Property investment and development
陝西鼎安置業有限公司 (Shanxi Dingan Development Co., Ltd.*) (Note (b))	RMB1,248,323,052	—	—	51%	51%	Property development
濟南大悅城產業發展有限公司 (Jinan Joy City Co., Ltd.*) (Note (b))	RMB1,191,666,666.67	—	—	60%	60%	Property development
大悅城三亞投資有限公司 (Sanya Joycity investment Co., Ltd*) (Note (d))	RMB300,000,000	—	—	100%	100%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
Entities established in the PRC and operating principally in the PRC (continued)						
三亞悅港企業管理有限公司 (Sanya Yuegang Development Co., Ltd*) (Note (c))	RMB349,525,000	–	–	100%	100%	Property investment
臺灣飯店有限公司 (Taiwan Hotel Limited) (Note (c))	RMB489,240,002	–	–	100%	100%	Hotel ownership and operations
蘇州相之悅房地產開發有限公司 (Suzhou Xiangzhiyue Real Estate Development Co., Ltd.) (Note (d))	RMB1,100,000,000	–	–	50.10%	50.10%	Property investment and development
廈門市悅集商業管理有限公司 (Xiamen Yueji Properties Management Co., Ltd.) (Note (b))	RMB1,400,000,000	–	–	51%	51%	Property investment and development
大悅城商業管理(北京)有限公司 (Joy City Commercial Management (Beijing) Co., Ltd.)	RMB10,000,000	–	–	100%	100%	Property management
成都中糧悅街企業管理有限公司 (Chengdu COFCO Yuejie Enterprise Management Co., Ltd.)	RMB5,000,000	–	–	100%	100%	Property investment and development
成都鵬悅企業管理諮詢有限公司 (Chengdu Pengyue Enterprise Management Consulting Co., Ltd.)	RMB60,000,000	–	–	100%	100%	Property management
大悅城商業管理(天津)有限公司 (Joy City Commercial Management (Tianjin) Co., Ltd.)	RMB10,000,000	–	–	100%	100%	Property management
南京悅錦成房地產實業有限公司 (Nanjing Yuejincheng Real Estate Industry Co., Ltd.*) (Note (d))	RMB3,000,000,000	–	–	50%	50%	Property investment and development
重慶悅昇房地產開發有限公司 (Chongqing Yuesheng Real Estate Development Co., Ltd.*) Note (d) and (f)	RMB745,098,039	–	–	51%	–	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. DETAILS OF SUBSIDIARIES (continued)

Company name	Paid-up issued/ registered capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
		Directly		Indirectly		
		2022	2021	2022	2021	
南京京悅房地產開發有限公司 (Nanjing Jingyue Real Estate Development Co., Ltd. *) Note (d) and (f)	RMB520,000,000	–	–	60%	– Property development	
杭州疆悅置業有限公司 (Hangzhou Jiangyue Real Estate Co., Ltd. *) Note (d) and (f)	RMB500,000,000	–	–	51%	– Property development	
永悅房地產開發(蘇州)有限公司 (Yongyue Real Estate Development (Suzhou) Co., Ltd. *) Note (d) and (f)	RMB450,000,000	–	–	60%	– Property development	

* The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group during the year ended 31 December 2022. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

- (a) The Group has control over the board of directors and the relevant activities of this entity and therefore accounted for as a subsidiary of the Company.
- (b) These companies are sino-foreign equity joint ventures.
- (c) These companies are wholly-foreign owned enterprise.
- (d) These companies are wholly-domestic owned enterprise.
- (e) These subsidiaries had issued debt securities in 2022 (Note 32).
- (f) These subsidiaries are newly established or acquired in 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	13,295,091	13,295,091
Hedging instruments	241,852	–
	13,536,943	13,295,091
CURRENT ASSETS		
Amounts due from subsidiaries	23,106,352	21,378,217
Loans to subsidiaries	1,210,697	1,108,137
Deposits, prepayments and other receivables	6,090	6,545
Cash and bank balances	734,649	1,110,069
Hedging instruments	157,123	230
	25,214,911	23,603,198
CURRENT LIABILITIES		
Amounts due to subsidiaries	738,885	622,432
Amounts due to fellow subsidiaries	1,303	1,302
Loan from a subsidiary	1,000,000	1,000,000
Bank borrowings	1,722,050	1,915,212
Amount due to the immediate holding company	–	15,550
Income tax payable	172,910	13,651
Other payables and accruals	69,587	60,315
Hedging instruments	–	99,346
	3,704,735	3,727,808
NET CURRENT ASSET	21,510,176	19,875,390
NON-CURRENT LIABILITIES		
Hedging instruments	–	39,570
Bank borrowings	4,157,013	3,797,521
	4,157,013	3,837,091
NET ASSETS	30,890,106	29,333,390
CAPITAL AND RESERVES		
Share capital (Note 34)	1,122,414	1,122,414
Reserves (Note)	28,909,142	27,312,606
Perpetual capital instruments	858,550	898,370
TOTAL EQUITY	30,890,106	29,333,390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves of the Company

	Share premium RMB'000	Non- redeemable convertible preference shares RMB'000 (Note 35)	Foreign currency translation reserve RMB'000	Capital redemption reserve RMB'000	Contributed surplus and other reserve RMB'000	Retained profits RMB'000	Perpetual capital instruments RMB'000	Total RMB'000
At 1 January 2021	17,993,202	1,722,317	3,266	1,931	148,138	7,613,556	759,717	28,242,127
Profit and total comprehensive income for the year	-	-	-	-	13,756	197,576	12,123	223,455
Redemption of perpetual capital instruments	-	-	-	-	-	-	(101,295)	(101,295)
Issue of perpetual capital instruments	-	-	-	-	-	-	227,825	227,825
Final 2020 dividend declared (Note 12)	-	-	-	-	-	(381,136)	-	(381,136)
At 31 December 2021	17,993,202	1,722,317	3,266	1,931	161,894	7,429,996	898,370	28,210,976
Profit and total comprehensive income for the year	-	-	-	-	325,920	1,283,796	-	1,609,716
Distribution of perpetual capital instruments	-	-	-	-	-	(13,180)	13,180	-
Redemption of perpetual capital instruments	-	-	-	-	-	-	(53,000)	(53,000)
At 31 December 2022	17,993,202	1,722,317	3,266	1,931	487,814	8,700,612	858,550	29,767,692

Definitions

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

"2023 AGM"	the forthcoming annual general meeting of the Company (or any adjournment thereof) for the year 2023;
"Achieve Bloom"	Achieve Bloom Limited (得茂有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of COFCO Corporation, which is an indirect controlling shareholder of the Company;
"Acquisition"	has the meaning ascribed to it in the announcement of the Company dated 24 September 2013;
"Annual Caps"	the maximum aggregate annual transaction amounts set for the Non-Exempt Continuing Connected Transactions;
"Audit Committee"	the audit committee of the Board;
"Bapton"	Bapton Company Limited, a company incorporated in Hong Kong with limited liability on 22 August 1986, a wholly-owned subsidiary of the Company;
"Board"	the board of Directors;
"BVI"	British Virgin Islands;
"Bye-laws"	the bye-laws of the Company, as may be amended from time to time;
"COFCO (HK)"	COFCO (Hong Kong) Limited (中糧集團(香港)有限公司) (formerly known as Top Glory Company Limited (鵬利有限公司), Top Glory Holding Company Limited (鵬利控股有限公司), Top Glory Holding Company Limited (鵬利集團有限公司) and COFCO (Hong Kong) Limited (中國糧油食品集團(香港)有限公司)), a company incorporated in Hong Kong with limited liability on 14 August 1981 and wholly-owned by COFCO Corporation, an indirect controlling shareholder of the Company;
"COFCO Corporation"	COFCO Corporation (中糧集團有限公司), a state-owned enterprise incorporated in the PRC in September 1952 under the purview of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the holding company of Grandjoy Holdings Group and thus an indirect controlling shareholder of the Company;
"COFCO Group"	COFCO Corporation and its subsidiaries, excluding the Group;

Definitions

"Company"	Joy City Property Limited (大悦城地產有限公司), a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 207);
"controlling shareholder(s)"	has the meaning given to it under the Listing Rules and in the context of the Company, means Grandjoy Holdings Group, Vibrant Oat, COFCO (HK) and COFCO Corporation;
"Conversion Shares"	the new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the CPS;
"Corporate Governance Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules;
"CPS"	the non-redeemable convertible preference shares of HK\$0.10 each in the share capital of the Company;
"Director(s)"	the director(s) of the Company;
"ESG Report 2022"	the Environmental, Social and Governance Report for the year ended 31 December 2022 issued by the Company separately pursuant to rule 13.91 and Appendix 27 to the Listing Rules. The electronic version of which is available on the websites of the Company at www.joy-cityproperty.com and the Stock Exchange at www.hkexnews.hk ;
"Executive Committee"	executive committee of the Board;
"Grandjoy Holdings Group"	Grandjoy Holdings Group Co., Ltd.* (大悦城控股集團股份有限公司), a company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange (stock code: 000031.SZ) and a controlling shareholder of the Company;
"Group"	the Company and its subsidiaries from time to time;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board, comprising all the Independent Non-executive Directors;
"independent third party"	a person or party who is not a connected person (within the meaning of the Listing Rules) of the Group;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

Definitions

"Master Agreements"	collectively the Master Lease Agreement, the Master Property Management Agreement and the Master Sourcing Agreement, and "Master Agreement" shall refer to any one of them;
"Master Lease Agreement"	the master lease agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by four supplemental agreements thereto) for the leasing of properties by the Group to the COFCO Group;
"Master Property Management Agreement"	the master property management agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by four supplemental agreements thereto) for the provision of project consultation, property management and hotel management services;
"Master Sourcing Agreement"	the master sourcing agreement entered into between the Company and COFCO Corporation on 29 November 2013 (extended and supplemented by four supplemental agreements thereto) for the sourcing of staple supplies and catering services by the Group from the COFCO Group;
"Memorandum"	the memorandum of association of the Company;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Board;
"Non-Competition Undertaking"	the deed of non-competition dated 29 November 2013 executed by COFCO Corporation in favour of the Company in relation to the Acquisition;
"Non-Exempt Continuing Connected Transaction(s)"	the transactions to be carried out pursuant to the Connected Transaction Agreements, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules;
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of the PRC;
"PRC" or "China"	the People's Republic of China, which shall, for the purposes of this Annual Report, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities);
"Remuneration Committee"	the remuneration committee of the Board;

Definitions

"Restricted Business"	(a) the development, operation, sale, leasing or management of any property project which is wholly designated for commercial purpose such as offices, retail, shopping malls, hotels, resorts or serviced apartments; and/or (b) the development, operation, sale, leasing or management of any mixed-use complex project;
"RevPAR"	revenue per available room, which is calculated by dividing the total hotel room revenue by the total number of room nights available for sale in a given period;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company;
"Share(s)"	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
"Shareholder(s)"	registered holder(s) of the Shares;
"sqm"	square metre(s);
"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Codes"	the Codes on Takeovers and Mergers and Share Buy-backs;
"US\$"	United States Dollars, being the lawful currency of the United States of America;
"Vibrant Oak"	Vibrant Oak Limited (明毅有限公司), a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of COFCO (HK) and an indirect controlling shareholder of the Company;
"%"	per cent.

Corporate Information

(As at the date of this Annual Report)

DIRECTORS

Executive Director

Mr. CAO Ronggen

Non-executive Directors

Mr. CHEN Lang (*Chairman*)

Mr. MA Dewei

Mr. LIU Yun

Mr. ZHU Laibin

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

AUDIT COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP* (*Committee Chairman*)

Mr. CAO Ronggen

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

REMUNERATION COMMITTEE

Mr. LAU Hon Chuen, Ambrose, *GBS, JP* (*Committee Chairman*)

Mr. CAO Ronggen

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

NOMINATION COMMITTEE

Mr. CHEN Lang (*Committee Chairman*)

Mr. LAU Hon Chuen, Ambrose, *GBS, JP*

Mr. LAM Kin Ming, Lawrence

Mr. CHAN Fan Shing

COMPANY SECRETARY

Ms. HAU Hei Man, Sonya

AUDITOR

SHINEWING (HK) CPA Limited

Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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Hamilton HM 11, Bermuda

PRINCIPAL OFFICE IN HONG KONG

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Causeway Bay, Hong Kong

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Tricor Progressive Limited

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16 Harcourt Road

Hong Kong

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www.joy-cityproperty.com

STOCK CODE

207

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GRANDJOY



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COFCO
自然之味 健康之選

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