



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123



WHERE GOOD
LIVING STARTS



ANNUAL REPORT 2015





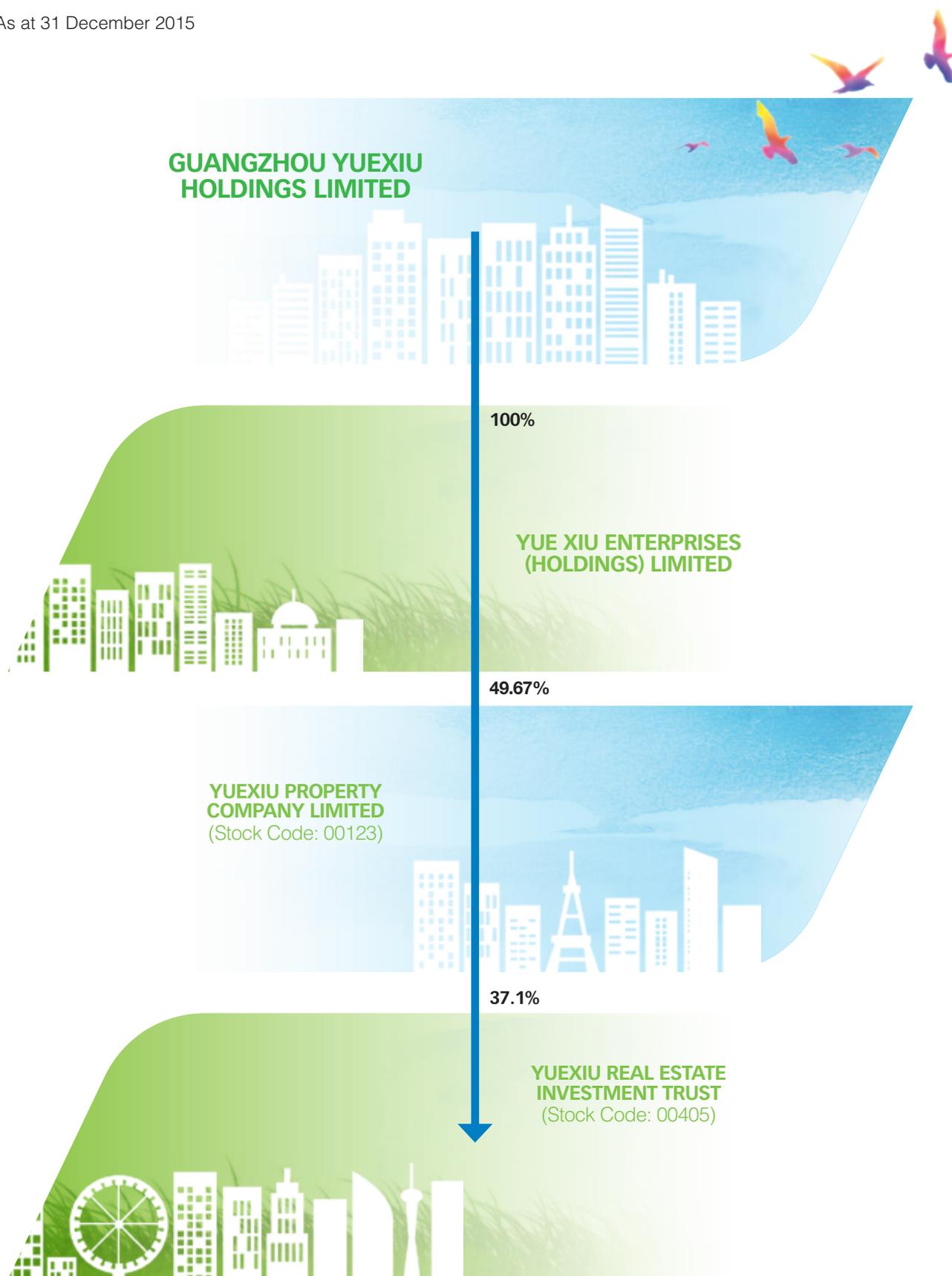


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CORPORATE STRUCTURE

As at 31 December 2015



CORPORATE INFORMATION

Board of Directors

Executive directors

Mr Zhang Zhaoxing (Chairman)
Mr Zhu Chunxiu
Mr Lin Zhaoyuan
Mr Li Feng
Mr Ou Junming
Mr Ou Shao

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

Company Secretary

Mr Yu Tat Fung

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong Legal Adviser

Baker & McKenzie

Principal Bankers

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited
DBS Bank Ltd.
Malayan Banking Berhad

ADR Depository Bank

The Bank of New York Mellon
American Depositary Receipts
620 Avenue of the Americas, 6th Floor
New York, NY 10011, USA
Telephone : (646) 885 3218
Facsimile : (646) 885 3043

Websites to Access Company Information

<http://www.yuexiuproperty.com>
<http://www.irasia.com/listco/hk/yuexiuproperty>
<http://www.hkexnews.hk>

Registered Office

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

Share Registrar

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Exchange

Shares

The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

Stock codes
The Stock Exchange of Hong Kong Limited - 00123
Reuters – 123.HK
Bloomberg – 123 HK

Notes

The Stock Exchange of Hong Kong Limited
U.S.\$350,000,000 3.25 per cent. Notes due 2018
(Code: 4596)
U.S.\$500,000,000 4.50 per cent. Notes due 2023
(Code: 4597)
HK\$2,300,000,000 6.10 per cent. Notes due 2029
(Code: 5846)

Investor Relations

For further information about
Yuexiu Property Company Limited,
please contact:
Mr Michael Jiang
Telephone : (852) 2593 2326
Facsimile : (852) 2511 0832
Email : ir@yuexiuproperty.com

FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

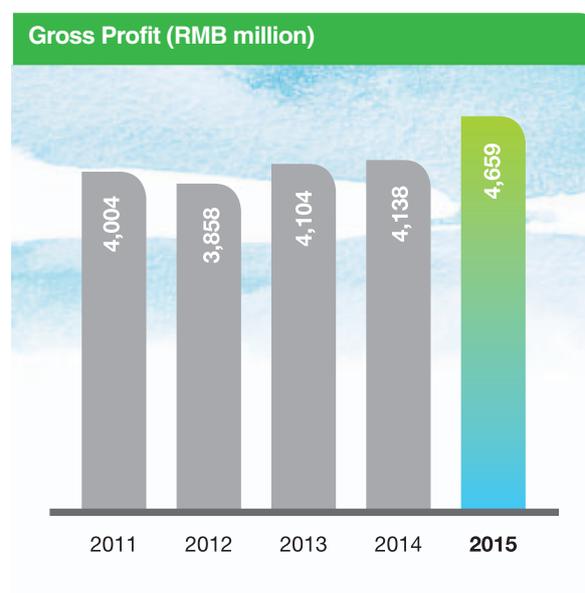
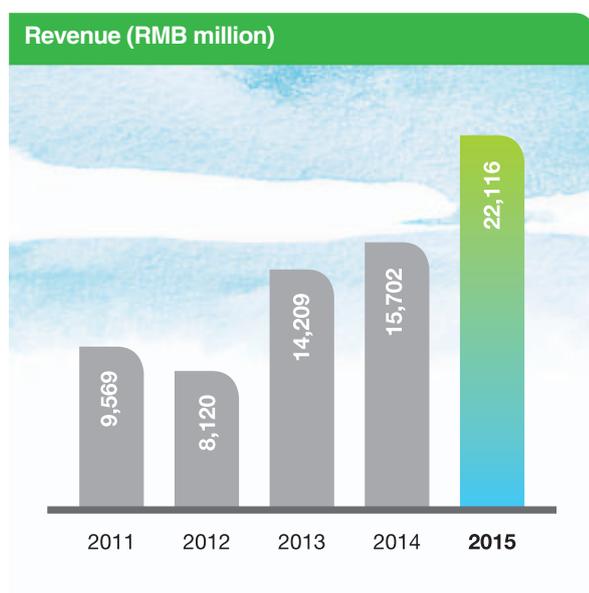
For the year ended 31 December

RMB' 000	2015	2014	2013	2012	2011
				As restated	
Revenue	22,115,677	15,701,739	14,208,873	8,119,945	9,569,006
Gross profit	4,658,816	4,138,021	4,104,453	3,857,881	4,004,094
Profit attributable to equity holders					
– from continuing operations	1,012,889	2,471,255	2,880,343	2,481,834	5,235,666
Basic earnings per share					
– from continuing operations (RMB)	0.0817	0.2329	0.2901	0.2672	0.5640

BALANCE SHEET HIGHLIGHTS

As of 31 December

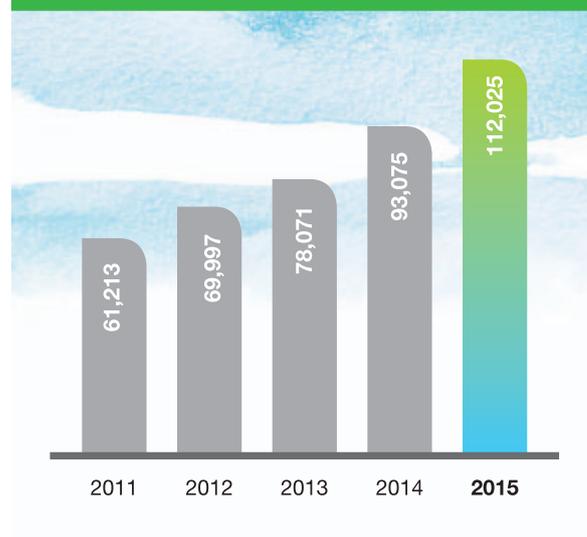
RMB' 000	2015	2014	2013	2012	2011
				As restated	As restated
Total cash (including cash, cash equivalents and charged bank deposits)	15,168,118	12,957,343	8,374,233	9,263,401	6,127,658
Total assets	112,024,654	93,075,353	78,070,648	69,996,933	61,213,284
Total assets less current liabilities	69,490,564	59,116,252	46,280,399	42,440,452	37,854,687
Shareholders' equity	29,618,176	29,103,975	24,175,205	22,158,140	20,186,647
Shareholders' equity per share (RMB)	2.388	2.347	2.593	2.383	2.174



Profit Attributable to Equity Holders from continuing operations (RMB million)



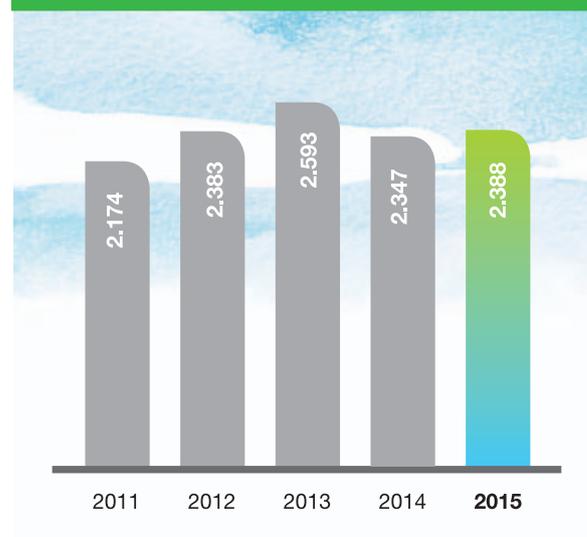
Total Assets (RMB million)



Shareholders' Equity (RMB million)



Shareholders' Equity Per Share (RMB)



KEY EVENTS OF THE YEAR



In February 2015, guided by the “creating value to sharing value” principle, the Group first established an employee incentive scheme in Foshan Yuexiu City Box for motivating initiatives of the project management effectively to maximize efficacy.



In October 2015, the Group successfully won the bidding for the land parcel at Tangcha Road, Baiyun District, Guangzhou. During the year, the Group captured market opportunities and acquired a total of six prime land parcels in Guangzhou, Foshan, Suzhou and Jiangmen.

FEB

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OCT

In July 2015, the Group cooperated with Greenland to develop Guangzhi Land Parcel I located in Haizhu District of Guangzhou, through which two strong forces joined together to achieve effective integration of resources and complementation of competitive edges. This is another breakthrough made by the Group in strengthening collaboration with and creating win-win solutions for excellent property developers in recent years.

In September 2015, the Group was awarded “2015 Best 30 of China Real Estate Developers Brand Value” by the China Real Estate Association, which further highlighted the position and influence of the Group in the industry.

In October 2015, the Group’s 2014 Annual Report won the “ARC Annual Report Awards – Interior Design Bronze Prize” from the well-known annual report rating organization MerComm, Inc. in the United States. This award further highlighted the recognition of the Group’s work on its annual report by the capital markets.





In November 2015, Mr Lin Zhaoyuan was appointed as the Vice Chairman and General Manager of the Group and Mr Ou Shao was appointed as the General Manager, Operations of the Group. A new journey of the Group has commenced under the leadership of the new management.



As at the end of 2015, the Group recorded aggregate contracted sales value of approximately RMB24.85 billion, reaching a historical new high level for the Group; contracted sales value increased by 12.9% on a year-on-year basis, and the full year target of RMB24.80 billion was achieved successfully.

As at the end of 2015, Moody's, Standard & Poor's and Fitch have all maintained their investment grade ratings on our Group. The Group continued to be one of the few Hong Kong listed China developers with investment grade ratings from the above three international rating agencies.

NOV

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DEC

In December 2015, the Group won the "Corporate Governance Gold Award 2015" awarded by "The Asset" Magazine in Hong Kong for the fourth consecutive year. This award further evidenced recognition of the Group in the capital markets and commendations from various sectors in society for the excellent performance of the Group during the past year.

In December 2015, Intercity Helicopter Flight Service for Guangzhou, Shenzhen and Zhuhai was launched at Guangzhou Yuexiu Financial Tower, an international Grade A office complex in Zhujiang New Town, Guangzhou. A large number of high-end customers were attracted by Yuexiu Financial Tower due to the prime location and quality service.





CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

In 2015, the Group adhered to the objective of “enhancing inner force through management upgrade, instilling vitality through reforms and innovation” and adopted the main themes of “three ensurings, three breakthroughs and three enhancements”. In face of the intensifying competition within the industry under the New Normal, the Group responded proactively, took challenges in its stride and implemented the business solidly.



Mr Zhang Zhaoxing
Chairman

I. BUSINESS REVIEW

Economic and Market Environment

The global economic growth rate for 2015 had slowed down and was lower than that generally expected. The global economy entered into a phase of intensive structural adjustments from the previous phase of rapid development experienced before the international financial crisis. Economic expansion of emerging markets and developing economies decelerated. The United States economy recovered strongly, while the growths in the Euro region and Japan had increased but the rebounding momentum had slackened. Entering the “New Normal” phase, China’s economy maintained steady development, the downside pressure has intensified. In 2015, the economic growth of China increased by 6.9% on a year-on-year basis, falling below 7% for the first time in 25 years. However, it basically stayed within the target growth range. As the overall national strength continued to grow, together with further penetration of reforms and innovations, market vitality and the economy’s organic growth momentum would be further stimulated.

In 2015, introduction of policies in support of both supply and demand of the domestic property market resulted in a steady increase in both market volume and prices. The policy environment for the operation of the industry was improving considerably. Since the beginning of this year, the government, via various favorable measures such as removal of the house purchase restrictions, cutting the benchmark ratios and interest rates, cutting down payment ratio and tax, reduced the costs of property purchases and encouraged market demand. As a result, the property market saw a strong rebound in the second half of the year. In 2015, the GFA of commodity housing sales was approximately 1.28 billion sq.m., representing a year-on-year increase of 6.5%, while the total revenue from commodity housing sales was approximately RMB8.7 trillion, increased by 14.4% year-on-year. However, market fragmentation was manifest. Volumes and prices rose to historical new high levels in Tier 1 cities, while overall performance in Tier 2 cities remained stable, and prices in Tier 3 and Tier 4 cities continued to drop due to high inventory levels.

New Record High Revenue and Contracted Sales

In 2015, the Group adhered to the objective of “enhancing inner force through management upgrade, instilling vitality through reforms and innovation” and adopted the main themes of “three ensurings, three breakthroughs and three enhancements”. In face of the intensifying competition within the industry under the New Normal, the Group responded proactively, took challenges in its stride and implemented the business solidly.

In 2015, revenue of the Group was approximately RMB22.12 billion, representing a year-on-year increase of 40.8%. Total revenue (including revenue from disposal of investment properties) was approximately RMB22.40 billion, representing a year-on-year increase of 42.1%. Profit attributable to equity holders was approximately RMB1.01 billion, representing a year-on-year decrease of 59.0%. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement) was approximately RMB1.24 billion, representing a year-on-year decrease of 21.2%.

CHAIRMAN'S STATEMENT

The Board proposed to declare a final dividend for 2015 of HK\$0.019 per share (equivalent to approximately RMB0.016 per share), together with the interim dividend of HK\$0.029 per share (equivalent to approximately RMB0.024 per share). Total dividends for the year ended 31 December 2015 amounted to HK\$0.048 per share (equivalent to approximately RMB0.040 per share), representing 40% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement.

In 2015, amid the complicated and rapidly changing property market environment, positive sales results were achieved by seizing the market recovery opportunities brought by favorable policies implemented since the second quarter, adopting various flexible sales strategies and innovative measures such as internet finance and e-commerce marketing in social networks, as well as capturing the upgrading demand released in the market. The Group recorded aggregate contracted sales (including contracted sales by joint venture projects) of approximately RMB24.85 billion and the GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.27 million sq.m., respectively representing a year-on-year increase of 12.9% and 20.5%.

Stable and Sound Financial Position

In 2015, the Group proactively used its advantages of onshore and offshore financing channels to rationalize resources allocation and further optimized the structure of financing to enhance the utilization rate of funds and realized a balance in overall funds. In 2015, the financing of RMB15.20 billion was realized, of which RMB9.72 billion was onshore financing and RMB5.48 billion was offshore financing. By a mix of various financing methods, the funding cost went down further. The average borrowing interest rate in respect of 2015 was 4.95%, a decrease of 0.12 percentage point as compared to 5.07% for the year 2014.

As of 31 December 2015, the net gearing ratio was approximately 73.1%, representing an increase of 10.0 percentage points as compared to the end of 2014, and it remained at a healthy level. Moody's, Fitch and Standard & Poor's maintained the Group's investment grade ratings of "Baa3", "BBB-" and "BBB-" respectively.

Reinforcement of Regional Layout of Tier 1 and Tier 2 Cities

In observation of the strategic guidance of "returning to Tier 1 and Tier 2 cities", the Group seized market opportunities, consolidated development resources and acquired in time the quality land reserve. In 2015, the Group acquired land parcels in Guangzhou, Foshan, Suzhou and Jiangmen respectively. In terms of the attributable interest to the Group, the consideration was approximately RMB7.02 billion, and the GFA was approximately 1.03 million sq.m..

As of 31 December 2015, the total landbank of the Group was approximately 13.69 million sq.m.. In terms of the attributable interest to the Group, landbank amounted to approximately 10.79 million sq.m.. The Group's landbank is located mainly in 12 cities within regions of Pearl River Delta, Yangtze River Delta, Bohai Rim and Central China region, over 80% of which is located in Tier 1 and Tier 2 cities.

The Innovative Development Model of “Joining Hands with Heavyweights for Mutual Benefits”

As the competition intensifies in the China property market, cooperation between heavyweights has become an effective means of strengthening collaboration and creating win-win solutions for excellent property developers. In recent years, the Group achieved integration of resources and advantage complementation through cooperation with investment funds and property developers. In 2015, the Group developed Guangzhou Haizhu Guangzhi land I and the Jiangmen Xijiang Mansion (formerly known Jiangmen Ganbei Road land) with Greenland and Country Garden respectively.

In 2015, the Group acquired the remaining equity interest held by investment funds in Guangzhou Yuexiu Poly Aite City, Hangzhou Victory Center and Hangzhou Starry Joy City. The exercise of call option helped swiftly expand the sales scale and speeded up return of cash.

Implementation of long-term incentive scheme

The real estate industry has currently entered into the “New Normal” development phase. In due course, the Group implemented reforms on system and mechanism with the objective of jointly undertaking risks and share of profits to enhance the human capital effectiveness, stimulate the organisation vitality, boost the operational efficiency and improve the organic growth momentum. In 2015, guided by the “create value to share value” principle, the Group first established an employee incentive scheme on project level in the Foshan Yuexiu City Box (formerly known as Foshan Chancheng Foping Road Project). Afterward, the Group would step up efforts to gradually cover other project companies. Through participation in equity investment in project companies by management team members and core employees, the motivation of project management teams was effectively strengthened to maximize benefits.

Continuous Promotion of Brand Value

In 2015, the Group endeavoured to further strengthen its influence in the capital market, continued to promote its recognition by the investors and achieved encouraging results in promotion of its brand value and goodwill. The Group received the “2015 Corporate Governance Gold Award” and “The Outstanding China Property Developers Award 2015” by the reputable finance magazines The Asset and Economic Digest respectively, for the first time the “Best Investor Relations Enterprise Award” at the Fifth Asia Excellence Recognition Awards organized by the Corporate Governance Asia magazine, the “ARC Annual Report Award — Interior Design Bronze Prize” awarded by the renowned annual report award institution MerComm, Inc. and known as the “Annual Report Oscar Award”, the “LACP Vision Award — Real Estate/REIT — Gold Award” and the “LACP Vision Award — Business Services — Bronze Award” by the League of American Communications Professionals (LACP) and the “Galaxy Annual Reports — Overall Presentation Honor Award”.

CHAIRMAN'S STATEMENT

II. BUSINESS OUTLOOK

Looking ahead in 2016, the global economy faces greater challenges and uncertainties as the economic recovery continues to remain weak. The domestic economy of China has entered into the “New Normal” stage of slower growth. The central government set out five missions, namely “de-productivity, de-stocking, de-leveraging, cost cutting and weakness re-engineering”. The real estate industry entered into the “excellence, branding, differentiation and standardizing” development stage. The challenges are unprecedented while substantial development opportunities exist. The status of real estate playing an important role in GDP growth will be unchanged, the industry policy will be more loosening and the sustainable development of urbanization will be the new momentum of property market growth. “De-stocking” is still the main theme of real estate industry. The market will face restructuring along with the slow growth of the market, the more fierce market competition, increasing degree of concentration of the industry and the regional diversification becoming distinct, which will be favourable to the fairly competitive developers to capture the opportunities for more rapid and better development.

2016 is the first year of 13th Five-Year Plan. The Group has formulated the development plans for the next five years with definite targets and clear strategies. The Group's development will focus on three core regions, namely Greater Guangzhou, Central China and Yangtze River Delta and strive to strengthen and optimize the business of development and operation of residential and commercial properties, seeking sustainable and steady growth of its core businesses, and endeavouring to become a competitive property developer with sound business performance and leading integrated capabilities.

Operation Strategies

The Group pursues sustainable and stable growth in core operations of residential and commercial property development, continuing to increase the proportion of the lease business in the Group's revenue and profit. The existing project resources will be invigorated and optimized, with efforts put to enhance the investment rate of return of projects. Utilization of the effective operational model of “Development-Operation-Finance” and the dual platforms “Property-REIT” interaction model will be continued to effectively consolidate internal resources and gain synergy effect. With customers as a top priority and profit as the target, the product mix will be optimized, the price-performance ratio of products will be enhanced and the competitiveness of products will be boosted comprehensively.

Investment Strategies

With the efficiency as the priority, the Group will source high-quality land reserve by multiple ways, consolidate and integrate the quality resources within Yuexiu Group, and get actively involved in the [Three-Old] Urban Renewal Plan to gain high-quality land. For the regional market investment, the Group will adopt the regional market investment strategy with greater Guangzhou as the center, Wuhan and Hangzhou as the pillars for growth. The land reserve mix will be optimized. New investment will focus on projects with quick turnover, and the target is on the ROE of the projects. The strategic cooperation with state-owned enterprises and leading property developers would be expanded to reduce the cost of land and the investment risk.

Financial Strategies

The Group will further optimize the financial structure, reduce financing costs, and maintain a reasonable debt structure for onshore and offshore. The major financial indicators will be kept at a reasonable level while the investment-grade ratings from international rating organizations will be actively maintained. The operating cash flow will be improved to ensure the liquidity and security. The integration of real-estate and finance will be improved further to enhance the usage efficiency and the flexibility of financial resources and strengthen the support of financial management to the business development.

Management Strategies

The Group is optimizing structural and procedural management, aiming to boost the investment benefits and operational efficiency. A long-term incentive system will be implemented and strengthened to comprehensively promote the plan of profit-sharing investment by project management teams and introduce employees' shareholding plans. A cost control system based on value creation will be constructed to enhance the cost control capability throughout the entire value chain. A systematic, institutionalized and normalized risk control mechanism will be built to strengthen risk management.

ACKNOWLEDGMENT

With respect to the steadily sound developments of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and dedicated support.

Mr Zhang Zhaoxing

Chairman





MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In 2015, the Group realized revenue of approximately RMB22.12 billion (the same period of 2014: RMB15.70 billion), a year-on-year increase of 40.8%. The gross profit was approximately RMB4.66 billion (the same period of 2014: RMB4.14 billion), a year-on-year increase of 12.6%, and the gross profit margin reached approximately 21.1%, a year-on-year decrease of 5.3 percentage points, mainly due to the change of product mix and regional composition.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2015, profit attributable to equity holders of the Group was approximately RMB1.01 billion (the same period of 2014: RMB2.47 billion), a year-on-year decrease of 59.0%, mainly due to the decreases in fair value gains on revaluation of investment properties and the net amount of other gains and an increase in net foreign exchange loss. If the fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement were not taken into account, the core net profit was approximately RMB1.24 billion, a year-on-year decrease of 21.2%.

CONTRACTED SALES

In 2015, the Group recorded the value of the aggregate contracted sales (including contracted sales by joint venture projects) of approximately RMB24.85 billion, a year-on-year increase of 12.9% and equivalent to approximately 100.2% of the full year sales target of RMB24.8 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.27 million sq.m., a year-on-year increase of 20.5%. The average selling price was approximately RMB10,900 per sq.m., a year-on-year decrease of 6.8%, due to the change of product mix and the increase of proportion of sales regarding regions outside Guangzhou.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2015, Guangzhou accounted for approximately 45.6%, Pearl River Delta (excluding Guangzhou) accounted for approximately 16.1%, Yangtze River Delta accounted for approximately 13.4%, Central China Region accounted for approximately 17.7%, and Bohai Rim accounted for approximately 7.2%. In terms of types, residential properties accounted for approximately 92%, and commercial properties and others accounted for approximately 8%.

Contracted sales are summarized as follows:

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Winking	1,100	25	22,700
2	Guangzhou Starry Cullinan	1,300	84	64,600
3	Guangzhou Lingnan Riverside/Guangzhou Fortune Apartment	11,700	110	9,400
4	Guangzhou Starry Golden Sands	54,200	1,081	19,900
5	Guangzhou Starry Wenhua	15,800	402	25,400
6	Guangzhou Starry Wenyu	21,000	496	23,600
7	Guangzhou Paradiso Riverside	89,300	1,304	14,600
8	Southern Le Sand	318,200	3,358	10,600
9	Guangzhou Lingnan Hillside	26,900	464	17,200
10	Guangzhou Lingnan Villas	93,000	1,119	12,000
11	Guangzhou Lingnan Wood	147,800	1,964	13,300
12	Guangzhou Yuexiu Poly Aite City	28,000	343	12,300
13	Conghua Glade Village	2,000	21	10,500
14	Conghua Glade Greenland	13,000	96	7,400
	Other projects	22,000	469	21,300
	Subtotal (Guangzhou)	845,300	11,336	13,400
15	Jiangmen Starry Regal Court	122,400	909	7,400
16	Zhongshan Starry Winking	46,400	240	5,200
17	Zhongshan Starry Junting	41,200	275	6,700
18	Zhongshan Starry Peakfield	174,300	1,194	6,900
19	Zhongshan Paradiso Jadin	57,400	269	4,700
20	Nanhai Starry Winking	17,200	262	15,200
21	Foshan Lingnan Junting	38,100	482	12,700
22	Foshan Yuexiu City Box (formerly known as Foshan Chancheng Foping Road Project)	54,100	371	6,900
	Subtotal (Pearl River Delta ex. Guangzhou)	551,100	4,002	7,300
23	Hangzhou Starry City	62,800	370	5,900
24	Hangzhou Starry Joy City	61,800	727	11,800
25	Hangzhou Starry Upper City	21,600	283	13,100
26	Hangzhou Victory Center	3,400	109	32,100
27	Suzhou Paradiso Pavilion	155,600	1,269	8,200
28	Suzhou Starry Pavilion	53,100	578	10,900
	Subtotal (Yangtze River Delta)	358,300	3,336	9,300

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
29	Wuhan Starry Winking	113,700	2,062	18,100
30	Wuhan Starry Emperor	111,800	1,288	11,500
31	Wuhan International Financial City	40,600	1,032	25,400
Subtotal (Central China Region)		266,100	4,382	16,500
32	Shenyang Starry Winking	3,000	39	13,000
33	Shenyang Starry Blue Sea	56,800	385	6,800
34	Yantai Starry Golden Sands	86,600	484	5,600
35	Qingdao Starry Blue Bay	104,900	889	8,500
Subtotal (Bohai Rim)		251,300	1,797	7,200
Total		2,272,100	24,853	10,900

RECOGNIZED SALES

In 2015, the value of the recognized sales (including the sale of investment properties of RMB0.29 billion) and GFA of the recognized sales (including the sale of investment properties of 13,100 sq.m.) were approximately RMB21.36 billion and 1.99 million sq.m., representing respective year-on-year increases of 43.5% and 68.1%, and the average selling price was approximately RMB10,700 per sq.m..

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	4,900	173	35,300
2	Guangzhou Starry Winking	Residential, parking	1,000	42	42,000
3	Guangzhou Starry Cullium	Residential	2,600	151	58,100
4	Guangzhou Lingnan Riverside	Parking	800	15	18,800
5	Guangzhou Fortune Apartment	Commercial	24,200	445	18,400
6	Guangzhou Starry Golden Sands	Residential, parking	126,500	2,245	17,700
7	Guangzhou Starry Wenhua	Residential, parking	22,800	536	23,500
8	Guangzhou Starry Wenhan	Residential, parking	4,300	69	16,000
9	Guangzhou Starry Wenyu	Residential, parking	31,200	734	23,500
10	Guangzhou Paradiso Riverside	Residential, parking	89,900	1,272	14,100
11	Guangzhou Paradiso Sunshine	Residential, parking	6,100	73	12,000
12	Nansha Southern Le Sand	Residential, commercial	204,200	1,950	9,500
13	Guangzhou Lingnan Hillside	Residential	62,500	1,122	18,000
14	Guangzhou Lingnan Villas	Residential	118,300	1,481	12,500
15	Conghua Glade Greenland	Residential	144,700	932	6,400
16	Conghua Glade Village	Residential	900	12	13,300
	Other projects	N/A	11,700	332	28,400
	Investment Properties	N/A	13,100	285	21,800
Subtotal (Guangzhou)			869,700	11,869	13,600

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
17	Jiangmen Starry Regal Court	Residential	56,400	455	8,100
18	Zhongshan Starry Winking	Residential	37,700	235	6,200
19	Zhongshan Starry Junting	Residential, commercial	30,700	288	9,400
20	Zhongshan Starry Peakfield	Residential, commercial	69,300	501	7,200
21	Zhongshan Paradiso Jadin	Residential, commercial	95,800	445	4,600
Subtotal (Pearl River Delta ex. Guangzhou)			289,900	1,924	6,600
22	Hangzhou Starry City	Residential, commercial	72,800	425	5,800
23	Suzhou Paradiso Pavilion	Residential	123,900	1,058	8,500
Subtotal (Yangtze River Delta)			196,700	1,483	7,500
24	Wuhan Starry Winking	Residential	127,800	2,127	16,600
25	Wuhan Starry Emperor	Residential	117,600	1,311	11,100
Subtotal (Central China Region)			245,400	3,438	14,000
26	Shenyang Starry Blue Sea	Residential, commercial	126,300	885	7,000
27	Yantai Starry Golden Sands	Residential, commercial	139,200	766	5,500
28	Yantai Starry Phoenix	Residential	6,600	49	7,400
29	Qingdao Starry Blue Bay	Residential	116,900	945	8,100
Subtotal (Bohai Rim)			389,000	2,645	6,800
Total			1,990,700	21,359	10,700

UNRECOGNIZED SALES

As of 31 December 2015, the value of the unrecognized sales amounted to approximately RMB22.61 billion, with GFA of the unrecognized sales being approximately 2.09 million sq.m., and the average selling price was approximately RMB10,800 per sq.m..

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	1,300	34	26,200
2	Guangzhou Fortune Apartment	Commercial, parking	4,300	26	6,000
3	Guangzhou Starry Winking	Commercial	800	13	16,300
4	Guangzhou Starry Cullium	Residential	1,900	123	64,700
5	Guangzhou Starry Golden Sands	Residential	22,900	542	23,700
6	Guangzhou Starry Wenhua	Residential	13,800	319	23,100
7	Guangzhou Starry Wenyu	Residential	1,000	22	22,000
8	Guangzhou Paradiso Riverside	Residential	63,500	951	15,000
9	Nansha Southern Le Sand	Residential, commercial	226,700	2,672	11,800
10	Guangzhou Lingnan Hillside	Residential	3,100	53	17,100
11	Guangzhou Lingnan Villas	Residential	39,900	498	12,500

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
12	Guangzhou Lingnan Wood	Residential	206,500	2,707	13,100
13	Guangzhou Yuexiu Poly Aite City	Residential	28,000	343	12,300
14	Conghua Glade Village	Residential	1,300	12	9,200
15	Conghua Glade Greenland	Residential	4,900	42	8,600
	Other projects	N/A	18,900	514	27,200
	Subtotal (Guangzhou)		638,800	8,871	13,900
16	Jiangmen Starry Regal Court	Residential	157,900	904	5,700
17	Zhongshan Starry Winking	Residential	37,100	163	4,400
18	Zhongshan Starry Junting	Residential	14,900	69	4,600
19	Zhongshan Starry Peakfield	Residential	143,600	991	6,900
20	Zhongshan Paradiso Jadin	Residential	20,500	125	6,100
21	Nanhai Starry Winking	Residential	34,100	527	15,500
22	Foshan Lingnan Junting	Residential	114,100	1,074	9,400
23	Foshan Yuexiu City Box (formerly known as Foshan Chancheng Foping Road Project)	Residential	54,100	371	6,900
	Subtotal (Pearl River Delta ex. Guangzhou)		576,300	4,224	7,300
24	Hangzhou Starry City	Residential	71,500	426	6,000
25	Hangzhou Starry Upper City	Residential	21,600	283	13,100
26	Hangzhou Starry Joy City	Residential	61,800	727	11,800
27	Hangzhou Victory Center	Residential, commercial	3,400	109	32,100
28	Suzhou Paradiso Pavilion	Residential	198,800	1,577	7,900
29	Suzhou Starry Pavilion	Residential	53,100	578	10,900
	Subtotal (Yangtze River Delta)		410,200	3,700	9,000
30	Wuhan Starry Winking	Residential	89,100	1,705	19,100
31	Wuhan Starry Emperor	Residential	131,800	1,493	11,300
32	Wuhan International Financial City	Residential, commercial	68,900	1,347	19,600
	Subtotal (Central China Region)		289,800	4,545	15,700
33	Shenyang Yuexiu Hill Lake	Residential	3,000	39	13,000
34	Shenyang Starry Blue Sea	Residential	9,300	68	7,300
35	Yantai Starry Golden Sands	Residential	75,300	414	5,500
36	Qingdao Starry Blue Bay	Residential	87,300	744	8,500
	Subtotal (Bohai Rim)		174,900	1,265	7,200
	Total		2,090,000	22,605	10,800

LANDBANK

In 2015, the Group acquired quality land parcels located in Guangzhou, Foshan, Suzhou and Jiangmen respectively. In terms of the attributable interest to the Group, the GFA was approximately 1.03 million sq.m. and the consideration was approximately RMB7.02 billion.

Land parcels newly acquired are summarized as follows:

No.	Project	Equity holding	Total GFA (sq.m.)	Total Land Cost (RMB mil)	Attri. Land Cost (RMB mil)
1	Suzhou Starry Pavilion	48.5%	180,900	440	210
2	Foshan Yuexiu City Box (formerly known as Foshan Chancheng Foping Road Project)	93.1%	226,700	630	590
3	Guangzhou Haizhu Guangzhi Land I	47.7%	229,500	2,630	1,250
4	Guangzhou Yuexiu Starry Haizhu Bay (formerly known as Guangzhou Haizhu Guangzhi Land II)	48.7%	773,300	8,900	4,330
5	Jiangmen Xijiang Mansion (formerly known as Jiangmen Ganbei Road Land)	44.6%	469,400	700	310
6	Guangzhou Baiyun Tangcha Road Land	16.0%	239,300	2,090	330
Total			2,119,100	15,390	7,020

As of 31 December 2015, the landbank of the Group reached approximately 13.69 million sq.m. with a total of 34 projects in 12 cities in China and whose regional layout continued to improve. In terms of the attributable interest to the Group, total landbank was approximately 10.79 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 39.8% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 15.4%, Yangtze River Delta accounted for approximately 17.4%, Central China Region accounted for approximately 15.3%, Bohai Rim accounted for approximately 10.8%, and others accounted for approximately 1.3%. In terms of usage, residential properties accounted for approximately 77% and commercial properties and others accounted for approximately 23%.

MANAGEMENT DISCUSSION AND ANALYSIS

Landbank is summarized as follows:

No.	Project	Equity Holding	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Asia Pacific Century Plaza	95%	232,000	232,000	—
2	Guangzhou Starry Sky City (formerly known as Guangzhou Baiyun Tonghe Project)	100%	680,300	275,800	404,500
3	Guangzhou Baiyun Tangcha Road Land	16.0%	239,300	—	239,300
4	Guangzhou Haizhu Nanzhou Road Project	95.48%	152,600	—	152,600
5	Guangzhou Haizhu Guangzhi Land I	47.74%	229,500	229,500	—
6	Guangzhou Yuexiu Starry Haizhu Bay (formerly known as Guangzhou Haizhu Guangzhi Land II)	48.69%	773,300	397,500	375,800
7	Southern Le Sand	95.48%	1,928,700	920,700	1,008,000
8	Guangzhou Lingnan Wood	47.74%	426,900	426,900	—
9	Guangzhou Yuexiu Poly Aite City	47.74%	674,700	309,000	365,700
	Other projects	N/A	111,600	66,400	45,200
	Subtotal (Guangzhou)		5,448,900	2,857,800	2,591,100
10	Jiangmen Starry Regal Court	95%	59,300	2,500	56,800
11	Jiangmen Xijiang Mansion (formerly known as Jiangmen Ganbei Road Land)	44.6%	469,400	238,100	231,300
12	Zhongshan Starry Winking	95%	145,700	145,700	—
13	Zhongshan Starry Peakfield	95%	368,400	194,100	174,300
14	Zhongshan Paradiso Jadin	100%	237,900	157,900	80,000
15	Nanhai Starry Winking	100%	290,700	290,700	—
16	Foshan Yuexiu City Box (formerly known as Foshan Chancheng Foping Road Project)	93.1%	226,700	226,700	—
17	Foshan Lingnan Junting	95%	314,500	298,300	16,200
	Subtotal (Pearl River Delta ex. Guangzhou)		2,112,600	1,554,000	558,600
18	Shenyang Yuexiu Hill Lake	99.95%	283,600	13,400	270,200
19	Shenyang Starry Winking	100%	529,100	175,600	353,500
20	Shenyang Starry Blue Sea	100%	9,800	—	9,800
21	Yantai Starry Golden Sands	100%	407,400	192,400	215,000
22	Qingdao Starry Blue Bay	100%	248,200	248,200	—
	Subtotal (Bohai Rim)		1,478,100	629,600	848,500

No.	Project	Equity Holding	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
23	Hangzhou Starry City	100%	1,452,600	182,000	1,270,600
24	Hangzhou Starry Upper City	100%	221,800	221,800	—
25	Hangzhou Victory Center	100%	71,900	71,900	—
26	Hangzhou Starry Joy City	95.48%	183,400	183,400	—
27	Suzhou Paradiso Pavilion	48.45%	270,600	270,600	—
28	Suzhou Starry Pavilion	48.45%	180,900	180,900	—
Subtotal (Yangtze River Delta)			2,381,200	1,110,600	1,270,600
29	Wuhan Starry Winking	100%	553,900	553,900	—
30	Wuhan Starry Emperor	95.48%	603,800	603,800	—
31	Wuhan International Financial City	7.64%	932,600	400,000	532,600
Subtotal (Central China Region)			2,090,300	1,557,700	532,600
32	Hainan Simapo Island Project	47.50%	100,400	6,000	94,400
33	Hong Kong Yau Tong Project	100%	70,500	—	70,500
34	Hong Kong Prince Edward Road Project	100%	4,000	4,000	—
Subtotal (Hainan and Hong Kong)			174,900	10,000	164,900
Total			13,686,000	7,719,700	5,966,300

CONSTRUCTION PROGRESS

The Group adopted various measures to speed up the turnover and endeavoured to enhance the development efficiency. Development of the projects in 2015 proceeded as normal. New commencement of construction, completion and delivery conducted were in line with the Group's schedule.

New commencement of construction, completion and delivery are summarized as follows:

Construction progress	Actual GFA In 2015 (million sq.m.)	Planned GFA for 2016 (million sq.m.)
PUD	7.72	6.48
New commencement of construction	2.64	1.96
Completion	2.78	3.19
Delivery	1.99	1.90

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

As of 31 December 2015, the Group owned investment properties under lease of approximately 789,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 33.1%, 45.1% and 21.8%, respectively. The Group owned the investment properties under construction of approximately 112,000 sq.m., most of which were the commercial portions of Nanhai Starry Winking. The Group recorded the rental revenue of approximately RMB277 million in 2015, a year-on-year increase of 14.3%.

In 2015, the Group recorded net fair value gains on revaluation of investment properties of approximately RMB440 million. The fair value on revaluation of Yuexiu Financial Tower recorded during the year increased by approximately RMB1,150 million and the fair value on revaluation of Guangzhou Fortune World Plaza recorded during the year decreased by approximately RMB788 million, due to the worse-than-expected operation performance.

NET OTHER GAINS

During the year, the Group's recorded net other gains of approximately RMB114 million, a year-on-year decrease of 73.8%. The Group recognized a gain on disposal of equity interest for an amount of approximately RMB449 million in 2014 whereas there was no such similar gain in this year.

SELLING AND MARKETING COSTS

During the year, the Group's selling and marketing costs increased by 10.8% to approximately RMB722 million as compared to the previous year. The increase in selling and marketing costs resulted from increase in sales of projects outside the Guangdong province and a year-on-year increase in the corresponding agency and marketing costs. The Group has all along endeavored to execute effective sales plans and kept control on its selling and marketing costs to an appropriate level. The selling and marketing costs accounted for 2.9% of the contracted sales for the year, reduced by 0.1 percentage point as compared to 3.0% of the previous year.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group amounted to approximately RMB891 million, increased by 6.1% as compared to the corresponding year of 2014. The Group continued to strengthen controls over expenses and strictly follow the annual expenses budget. Administrative expenses accounted for 3.6% of the contracted sales of this year, reduced by 0.2 percentage point as compared to 3.8% of the previous year.

FINANCE COSTS

During the year, the Group's interest expenses (excluding the top-up payment liability) on borrowings increased by 21.3% to approximately RMB1,860 million as compared to the corresponding year of 2014. Renminbi continued to depreciate in the second half of 2015, and the Group's revenue was mainly derived in Renminbi. The foreign exchange losses arising from the conversion of part of the borrowings denominated in United States dollars and Hong Kong dollars at the prevailing exchange rate increased. Net foreign exchange loss incurred for the full year amounted to RMB1,019 million. The interest expenses and net foreign exchange loss amounted to approximately RMB2,880 million in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalized interest expenses amounted to approximately RMB1,195 million and the capitalized foreign exchange loss amounted to approximately RMB557 million. The aggregate capitalized sum was approximately RMB1,752 million. Net finance costs of 2015 amounted to approximately RMB1,128 million, of which the net exchange loss recognized in the consolidated income statement amounted to approximately RMB462 million. The Group's average effective borrowing interest rate for the year was approximately 4.95% per annum (2014: 5.07% per annum).

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

During the year, the overall net contribution from associated entities attributable to the Group decreased by 10.2% to approximately RMB323 million as compared to the previous year. This was mainly the profit contribution from the Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), in which the Group held 37.1% interest.

The total amount of distribution by Yuexiu REIT for 2015 increased by 6.3% to approximately RMB704 million as compared to the previous year. As such, the Group’s corresponding share of cash distribution amounted to approximately RMB261 million.

BASIC EARNINGS PER SHARE

For the year ended 31 December 2015, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to the equity holders of the Company were RMB0.0817 (2014: RMB0.2329).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2015 of HK\$0.019 per share which is equivalent to RMB0.016 per share (2014: HK\$0.027 per share which was equivalent to RMB0.022 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 17 June 2016. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2016. Together with the interim dividend of HK\$0.029 per share which was equivalent to approximately RMB0.024 per share, total dividends for the year ended 31 December 2015 will amount to HK\$0.048 per share which is equivalent to approximately RMB0.040 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HK\$ to RMB announced by the People’s Bank of China in the five business days preceding the date of dividend declaration.

LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasized on funding management and risk control, established an ongoing monitoring system to tackle the rapid market changes, ensured healthy and adequate liquidity and secured the business development. While the Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channel, optimizes the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

For the year ended 31 December 2015, the Group completed the bank financing of approximately RMB15,200 million, of which onshore bank financing amounted to approximately RMB9,720 million and offshore bank financing amounted to approximately RMB5,480 million. As at 31 December 2015, the total borrowings amounted to approximately RMB38,165 million (2014: RMB32,059 million), cash and charged bank deposits amounted to approximately RMB15,168 million, and the net gearing ratio was 73.1%. Borrowings with maturity within one year accounted for approximately 14% of the total borrowings (2014: 26%), and fixed notes accounted for approximately 19% of the total borrowings (2014: 22%). Due to the decrease of the interest rate of onshore borrowing, the Group’s average effective borrowing cost for the period was 4.95% per annum, decreased by 0.12 percentage point as compared to 5.07% per annum for the year of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2015, among the Group's total borrowings, approximately 47% was RMB denominated bank borrowings (2014: 44%), 34% was Hong Kong and United States dollars denominated bank borrowings (2014: 35%), 19% was Hong Kong and United States dollars denominated medium to long term notes (2014: 21%).

WORKING CAPITAL

As at 31 December 2015, the Group's working capital (current assets less current liabilities) amounted to approximately RMB40,200 million (2014: approximately RMB35,869 million). The Group's current ratio (current assets over current liabilities) was 1.9 times (2014: 2.1 times). Cash and cash equivalents amounted to approximately RMB9,546 million (2014: RMB7,883 million). Charged bank deposits amounted to approximately RMB5,623 million (2014: RMB5,075 million). Undrawn committed bank facilities amounted to approximately RMB3,500 million.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follow:

	2015 RMB' 000	2014 RMB' 000
Bank borrowings and notes		
Denominated in RMB	17,775,292	13,787,880
Denominated in Hong Kong dollars	13,324,241	12,240,383
Denominated in United States dollars	7,065,162	6,030,900
Total bank borrowings and bonds	38,164,695	32,059,163
Finance lease obligations	183	138
Overdrafts	63	72
Total debts	38,164,941	32,059,373
Ageing analysis:		
Within one year	5,511,795	8,415,093
In the second year	14,689,458	7,195,990
In the third to fifth year	11,079,091	10,622,550
Beyond five years	6,884,597	5,825,740
Total borrowings	38,164,941	32,059,373
Less: Cash and cash equivalents	(9,545,548)	(7,882,648)
Net borrowings	28,619,393	24,176,725
Total equity	31,466,204	30,253,428
Total capitalization	60,085,597	54,430,153
Gearing ratio	47.6%	44.4%

INTEREST RATE EXPOSURE

The Group's major interest rate exposure are derived from loans and deposits denominated in Renminbi, Hong Kong dollars and United States dollars. As at the end of 2015, of the total borrowings of the Group, approximately 47% was floating rate bank borrowings denominated in Renminbi, approximately 34% was floating rate bank borrowings denominated in Hong Kong dollars and United States dollars, and approximately 19% was medium to long term fixed rate notes. Having considered the currencies and the structural composition of our portfolio, the Group did not enter into any interest rate hedging arrangements during the reporting year. The average loan interest rate during the year was 4.95%, representing a year-on-year decrease of 0.12 percentage point.

With respect to the Renminbi loan interest rates, since November 2014, the People's Bank of China ("PBOC") has cut the interest rates six times and reduced the reserve requirement ratios (RRR) eight times. The 1-year benchmark rate went down from 5.6% to 4.35% at present. It is generally expected in the market that the PBOC will continue to cut interest rates in 2016. In addition, since the third quarter of 2015, domestic enterprises could issue bonds to raise funds at rates lower than the PBOC's standard rates, which would translate into further cost savings in the short and medium term.

With respect to the loan interest rates of United States dollars and Hong Kong dollars, in December 2015, the US Federal Reserve raised interest rates for the first time after the global financial tsunami. As the Hong Kong Dollar is pegged against the United States Dollar, it was estimated that the loan interest rates of Hong Kong dollars would go up in line with the interest rates of United States dollars. It was originally expected that the US Federal Reserve might raise the interest rates continually in 2016. However, the Federal Open Market Committee of the United States, after a meeting held in January 2016, released a statement that it would consider the possible impact of the global economic and financial development on the local economic outlook before deciding whether the interest rate should be further raised in March.

In view of the current complicated and changing global economy and financial environment and China's economic slowdown, the Group anticipates that Renminbi loan interest rates might continue to go down in 2016. On the other hand, it is estimated that the loan interest of United States dollars may rise after the United States domestic employment and consumption as well as the achievement of its inflation reached a given level, but the range and the schedule are uncertain. It is expected that the interest rates spread between onshore and offshore borrowings would further narrow.

Currently, the proportion of the loans denominated in RMB and foreign currencies of the Group is 47:53. It is estimated that the decline of Renminbi interest rates and the increase of interest rates of United States dollars will neutralize the impact on the Group to a certain extent and thus would not have any material effect on the overall financial position of the Group. As a result, the Group has made no hedging against exposure to interest rate risk. Notwithstanding that, the Group will continue to closely monitor the changes of onshore and offshore interest rates and adopt appropriate hedging or other derivative instruments to manage its interest rate risk exposure as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

During the reporting year, in light of the complicated and intertwining global economic overall conditions, few economies' recovery was stable but slow. However, most of other regional economies remained weak, while China's economy is under transition and has entered into its "New Normal" stage. During the period, the exchange rate of RMB fluctuated within narrow range, but since the sudden but significant devaluation as a result of the exchange rate reform commencing from 11 August 2015, it was generally expected that there was continuous depreciation pressure on Renminbi against United States dollars in the short and medium term.

Since the main business operations of the Group are conducted in Mainland China, its income and cash inflows are primarily in Renminbi. The main cash outflows in Hong Kong are mainly payment of cash dividends to shareholders and repayment of bank borrowings and interest. Therefore, the spread resulting from the devaluation of Renminbi's exchange rate against Hong Kong dollars or United States dollars would affect the construction costs and the general operating costs of the projects under construction of the Group.

As at 31 December 2015, approximately 34% of the total borrowings of the Group were floating rate bank borrowings denominated in Hong Kong dollars and United States dollars and equivalent to approximately RMB13 billion, and approximately 19% of the total borrowings were medium to long term notes denominated in Hong Kong dollars and United States dollars and equivalent to approximately RMB7.4 billion. During the reporting year, the mid-price exchange rate of Renminbi to United States dollar/Hong Kong dollars devalued by approximately 6.2% and a net exchange loss of RMB1.02 billion was recorded for the year, out of which approximately RMB0.56 billion was capitalized and RMB0.46 billion was treated as the net exchange loss in the consolidated income statement.

Amid the expectation of devaluation of Renminbi against United States dollars in a short and medium term, to reasonably reduce the financial effect brought by the fluctuations of exchange rate of Renminbi to the Group, the Group will strengthen its research and tracking on the foreign exchange market and, subject to the balance between interest rates, costs and foreign exchange risk, increase at an appropriate extent, financing in Renminbi, so as to adjust and optimize the structure of onshore and offshore debts and gradually narrow the foreign exchange risk exposure. When the relevant costs return to reasonable and acceptable level, the Group would take appropriate measures and use suitable instruments to further manage the foreign exchange exposure, with an aim to minimize the possible impact of the fluctuation of exchange rate of Renminbi.

As such, by the end of 2015, the proportion of foreign currency denominated financing has decreased to 53% from 57% in mid 2015. Since early 2016, the Group has arranged for approximately RMB3.8 billion (representing 19% of the total foreign currency denominated financing as of the end of 2015) to refinance foreign currency denominated loans in the short term, so as to gradually narrow the foreign exchange exposure as planned.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2015, the Group's capital commitments in respect of purchases of property, plant and equipment amounted to approximately RMB2,019 million (2014: RMB1,684 million).

CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group's properties for sale in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee. Notwithstanding that, the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2015, the total contingent liabilities relating to these guarantees amounted to approximately RMB11,408 million (2014: RMB6,492 million).

As at 31 December 2015, certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB2,360 million (2014: RMB3,290 million) in respect of the syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after the full repayment of the syndicated loan.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 7,080 employees (31 December 2014: 6,690 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain loan agreements of the Company ("Loan Agreements") respectively include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company, or (as the case may be) Guangzhou Yue Xiu Holdings Limited, the ultimate controlling shareholder of the Company:

- (i) the controlling shareholder remains to be the single largest beneficial shareholder of the Company;
- (ii) the controlling shareholder maintains a shareholding interest of not less than 35% in the issued voting shares of the Company;
- (iii) the controlling shareholder maintains effective management control over the Company.

As at 31 December 2015, the aggregate balance of the loans provided in Hong Kong dollars, Renminbi and US dollars respectively were HK\$12,102,000,000, RMB858,420,000 and US\$247,000,000. Such loan agreements will expire from 29 January 2016 to 17 June 2019.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 24 January 2013, the Company issued US\$350 million 3.25 per cent. notes due 2018 and US\$500 million 4.50 per cent. notes due 2023 to investors under a US\$2,000 million medium term note programme established on 11 January 2013. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcement dated 17 January 2013) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the year ended 31 December 2015.

PROPERTY DEVELOPMENT

REGION		GFA (sq.m.)	
●	Guangzhou	39.8%	5,448,900
●	Pearl River Delta (excluding Guangzhou)	15.4%	2,112,600
	Zhongshan		752,000
	Jiangmen		528,700
	Foshan		831,900
●	Bohai Rim Region	10.8%	1,478,100
	Yantai		407,400
	Shenyang		822,500
	Qingdao		248,200
●	Yangtze River Delta	17.4%	2,381,200
	Hangzhou		1,929,700
	Suzhou		451,500
●	Central Region	15.3%	2,090,300
	Wuhan		2,090,300
●	Hainan	0.8%	100,400
	Haikou		100,400
●	Hong Kong	0.5%	74,500
TOTAL		100%	13,686,000
Development Stage			GFA (sq.m.)
PUD	56.4%		7,719,700
PFD	43.6%		5,966,300



Bohai Rim

Shenyang
Qingdao
Yantai

Central Region

Wuhan

Yangtze River Delta

Hangzhou
Suzhou

Pearl River Delta & Hong Kong

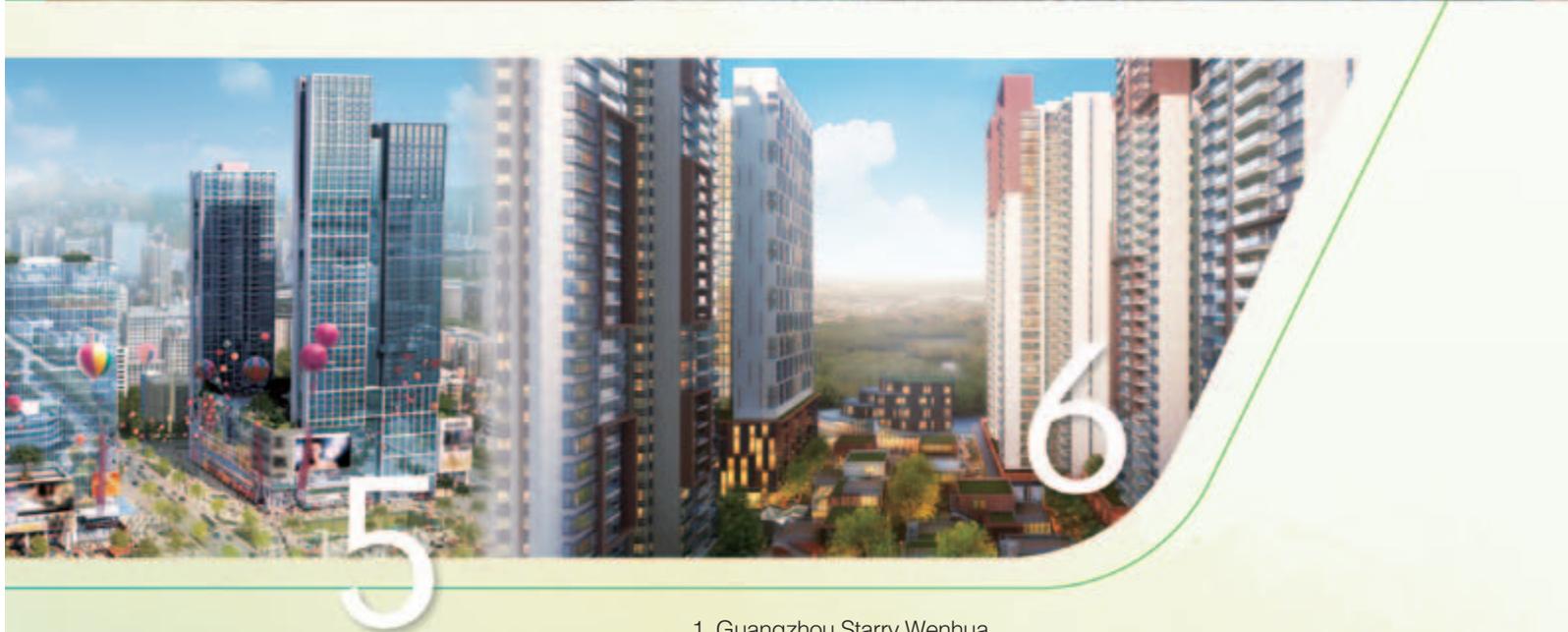
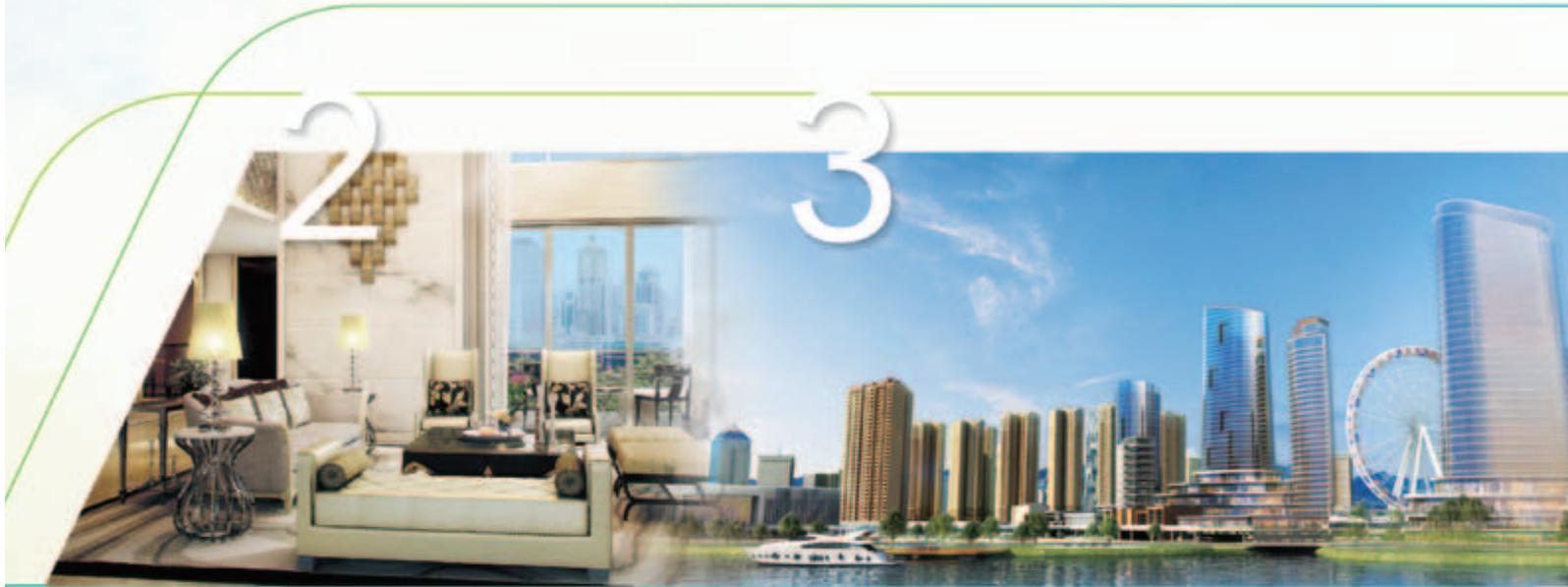
Guangzhou
Jiangmen
Zhongshan
Foshan
Hong Kong

Hainan

Haikou

GUANGDONG





1. Guangzhou Starry Wenhua
2. Guangzhou Starry Cullinan
3. Guangzhou Yuexiu Starry Haizhu Bay
4. Guangzhou Starry Golden Sands
5. Nanhai Starry Winking
6. Foshan Yuexiu City Box

OUTSIDE GUANGDONG

1



2

3



6

5



1. Hangzhou Victory Center
2. Suzhou Starry Pavilion
3. Wuhan Starry Winking
4. Wuhan Starry Emperor
5. Shenyang Yuexiu Hill Lake
6. Yantai Starry Golden Sands

GUANGZHOU

Located in Nansha District, Guangzhou, Southern Le Sand (南沙濱海花園) is a matured large-scale development created by the Group after 10 years of refinement. It is a new marina zone integrating waterfront living, leisure, resort, investment and business. The development is constructed in 9 phases. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, and super 5-star hotels, etc. In 2014, the Nansha District was officially confirmed to be a key constituent of the Guangdong Free Trade Zone, creating favourable future prospects for Southern Le Sand. The properties of the latest phase received good market response throughout 2015, contracted sales value for the full year amounted to approximately RMB3.4 billion.



GUANGZHOU

SOUTHERN LE SAND

Residential & Commercial Project

GFA: 1,928,700 sq.m.



GUANGZHOU

STARRY GOLDEN SANDS

Residential Project

Situated at Jinshazhou, Baiyun District, Guangzhou, Guangzhou Starry Golden Sands (廣州星匯金沙) is adjacent to Xunfenggang Station, which is the initial stop on Metro Line 6. Since the official opening of the Guangzhou Metro Line 6 at the end of 2013, the transportation network around the project has improved further, and the project has received more attention from the market. Comprising apartments and villas, the project is adjacent to the Xunfeng mountain in the north and is next to a lake with a beautiful landscape. The project is a rare low-density green community with natural environment in the city center.

Guangzhou Lingnan Wood (廣州嶺南林語) lies to the south of Changling Road, Luogang, Guangzhou, and comprised 88 villas and 16 blocks of high-rise buildings which will be jointly developed by the Group and Guangdong Poly Property Development Limited. This project is surrounded by mountains on three sides and boasts a beautiful natural environment. Commercial streets, swimming pools, hospitals and schools are constructed to provide a good living atmosphere. The project is adjacent to Luogang Coach Station, the Xiangxue Station of the Guangzhou Metro Line 6 and the Changping Station of the Guangzhou Metro Line 21 which are under construction, all of which provide convenient traffic. The project is located in the Changlingju International Ecological Living District planned by the Guangzhou Municipal Government, with tremendous development potential.



GUANGZHOU

LINGNAN WOOD

Residential Project

GFA: 426,900 sq.m.



GUANGZHOU

LINGNAN VILLAS

Residential Project

Guangzhou Lingnan Villas (廣州嶺南雅築) lies to the south of Kaiyuan Avenue in Luogang, Guangzhou and enjoys convenient traffic, only 30 minutes' drive from Zhujiang New Town CBD. This project lies to the mountain to the east, south and north and is surrounded by a beautiful natural environment. It enjoys fresh air and a broad view, and represents a good place for living. This project is planned to comprise 15 blocks of apartments oriented towards rigid market demand. Commercial streets, kindergartens, swimming pools and tennis courts are also constructed to fully satisfy the living and leisure requirements of property owners.

GUANGZHOU

Guangzhou Yuexiu Poly Aite City (廣州越秀保利愛特城) is jointly developed by the Group and Guangdong Poly Property Development Limited. The project is located at Yunpu Industrial Zone, Luogang District, Guangzhou City, Guangdong Province. The project is highly accessible as it is close to the two arteries, Guangshen Expressway and Guangyuan Expressway. It only takes a 30 minutes' drive to go from the project to the city centre of Tianhe district, Guangzhou. The project is situated in a scenic and pleasant living environment as it is surrounded by natural landscapes with rich resources. There are large residential communities developed by well-known property developers nearby. The area where the project is located has been planned to be Shanshui New Town at the eastern part of Guangzhou, and will become a primary area where the increased population of Guangzhou will be resettled in the future, bringing a good prospect for development.



GUANGZHOU

YUEXIU POLY AITE CITY

Residential Project

GFA: 674,700 sq.m.



GUANGZHOU

YUEXIU FINANCIAL TOWER

Commercial Project

Guangzhou Yuexiu Financial Tower (廣州越秀金融大廈) is located on the central axis of Zhujiang New Town of Guangzhou CBD and is positioned as an international grade-A office building. With a height of 310 meters and 68 storeys above ground, Yuexiu Financial Tower is another international grade-A office building developed by the Group after completion of Guangzhou International Finance Center. The construction, design and service management of this project, which are fully implemented in accordance with stringent international standards, highlight its international business image and high-end positioning. The project started full operation in 2015 and attracted the attention of various premium tenants. The project won the "National 3-star Green Building Design Label" from the Ministry of Housing and Urban-Rural Development and became the representative of greening buildings.

Guangzhou Starry Sky City (廣州星匯雲城) is located in Tonghe area, which is the downtown area of Baiyun District, Guangzhou City. The project enjoys convenient public transport as it is situated at the interchange of Guangzhou Avenue North and the third phase of Huanan Expressway. In addition to being accessible by a well-developed network of roads, Guangzhou Starry Sky City can also be reached by the mass transit railway as it is adjacent to the Tonghe station on Guangzhou Metro's Line No. 3. The project is surrounded by hills on three sides and affords the residents a scenic view and a comfortable living environment. 30 high-rise residential buildings will be built in the project and a commercial street with leisure and catering facilities, kindergartens and primary schools will be built on the southern part of the site of the project to meet the residents' various needs. The project is located in the northern extension area of Guangzhou along a north-south axis that runs through the centre of the city. As the extension area's commercial and residential property development is maturing, the project is a promising investment.



GUANGZHOU

STARRY SKY CITY

Residential Project

GFA: 680,300 sq.m.



GUANGZHOU

YUEXIU STARRY HAIZHU BAY

Residential & Commercial Project

GFA: 773,300 sq.m.

Guangzhou Yuexiu Starry Haizhu Bay (廣州越秀星匯海珠灣) is located in the western part of the Haizhu District, Guangzhou, Guangdong Province, adjacent to the Pearl River with abundant resources. There are comprehensive services and facilities provided in the surrounding areas, providing an excellent living environment. Transportation network nearby the project is convenient, with close proximity to Yangang Station of Guangzhou-Foshan Metro Line Phase 2, which is under construction, as well as Nanshi Lu Station of Metro Line 11 which is at its planning stage. The region where the project is situated has been positioned as the "Engine of Haizhu West, and the Harbour of Vitality in Guangzhou and Foshan". The region shall be developed to become a key production area in Guangzhou, a promenade for quality living in Guangzhou and Foshan, and key service centre in the western coast of Pearl River Delta. Given the apparent locational advantages, there is great development potential.

FOSHAN

Foshan Lingnan Junting (佛山嶺南雋庭) is located at the junction of Tongji Avenue and Lingnan Road in Chancheng District in Foshan City, Guangdong Province. The project is situated in the city center of Foshan and within the area of the city central axis of Foshan, in close proximity to the Tongji Road and Pujun North Road stations of the Guangzhou-Foshan Metro Line. This project will be built into a large-scale Lingnan style complex including detached commercial complex, grade-A office building, Lingnan style residential properties, serviced apartments and commercial blocks.



FOSHAN

LINGNAN JUNTING

Residential & Commercial Project

GFA: 314,500 sq.m.



FOSHAN

YUEXIU CITY BOX

Residential Project

GFA: 226,700 sq.m.

Located at Chancheng District of Foshan City in Guangdong Province, Foshan Yuexiu City Box (佛山越秀誠品廣場) enjoys convenient transportation at the junction of two major roads in the city – Shidong Road and Foping Road. The project sits at a prime location within the mature Foshan Tour Mall commercial district, which is surrounded by well-established shopping, leisure, entertainment and catering facilities. Lifestyle needs are well-served given its proximity to educational institutions such as kindergartens, primary and secondary schools, as well as two major hospitals and other public facilities.

ZHONGSHAN & JIANGMEN

Zhongshan Starry Peakfield (中山星匯品峰) is situated at a prime location south of Bo'ai Road in the Eastern region of Zhongshan City, Guangdong Province. The project consists of 24 high-rise residential buildings. Equipped with major commercial facilities, the project is of great value because of its suitability for living and for business. The buildings dot the hills and enjoy natural lighting and ventilation. The water gardens, wide space between the buildings, and the modern architectural style fully meet the quality living standards of high-end customers.



ZHONGSHAN

STARRY PEAKFIELD

Residential Project

GFA: 368,400 sq.m.



JIANGMEN

XIJIANG MANSION

Residential Project

GFA: 469,400 sq.m.

Jiangmen Xijiang Mansion (江門西江御府) is located in the densely populated old town of Jiangmen City, Guangdong Province, with convenient transportation and well-developed urban facilities for education, healthcare, and commerce. Near to the Xijiang River, it is a rare property project which enjoys both a scenic riparian view and an old town's core resources. Jiangmen Xijiang Mansion is the first jointly-developed project by the Group and Country Garden. Thoroughly utilizing the resources of both sides in the joint venture, the project successfully realized the high turnover strategy of launching for sale in half a year after land acquisition.

WUHAN

Wuhan Starry Winking (武漢星匯雲錦) is located at the junction of Jinghan Avenue and Qiaokou Road in the Qiaokou District in Wuhan City, Hubei Province. The location is a core land plot of the “Han River Ecological Business Zone”, which was planned by the Wuhan Municipal Government, linking seamlessly with the No. 1 Light Rail Line of Wuhan, and it takes about 5 minutes to travel to Wuchang district and Hanyang district. The project comprises a grade A office tower which is over 300 meters tall, a top class commercial shopping mall and a number of boutique high-end apartment blocks which are over 130 meters tall. Starry Victoria Shopping Center, the shopping mall of Wuhan Starry Winking, opened in 2015, brings international stylish brands, Chinese and Western cuisines, world-class supermarkets, international cinema and entertainment and leisure facilities under one roof.



WUHAN

STARRY WINKING

Residential & Commercial Project

GFA: 553,900 sq.m.



WUHAN

INTERNATIONAL FINANCIAL CITY

Residential & Commercial Project

GFA: 932,600 sq.m.

Wuhan International Financial City (武漢國際金融匯) is located at the center of Wuhan City, Hubei Province, which is surrounded by Jiefang Avenue, Xinhua Road, Jingwu 4th Road, Jingwu East Road, Jiangnan North Road and Jingwu 1st Road. The business circle in which the project located is in the traditional commercial core zone of Wuhan, and is surrounded by premium office buildings and retail shopping mall complexes, creating a bustling business atmosphere. Meanwhile, it is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Metro Line No.2, and is also near Zhongshan Park and Sports Centre, with well-equipped facilities. It plans to construct a city complex mainly housing the commercial streets, luxury hotels, high-end office buildings and residential units, aiming to become a new landmark of premium properties in Wuhan.

HANGZHOU & SUZHOU

Hangzhou Victory Center (杭州維多利中心) is located in the northern area of Phase One, Qianjiang New Town, Jianggan District in Hangzhou City, Zhejiang Province. The project was laid out alongside the river, specifically designed two blocks of 18-storey diamond-shaped towers along the Wentao Road, and four blocks of detached villa-style office buildings along the Zhijiang Road to meet the demand of different enterprises with different development stages. Qianjiang New Town is the rapidly growing new city center in Hangzhou, which will be developed into a central business district integrating office, finance, trading, information, commercial, convention & exhibition, tourism and residential functions. Hangzhou Victory Center, as a core commercial ancillary project of Qianjiang New Town, has enormous future growth potential.



HANGZHOU

VICTORY CENTER

Commercial Project

GFA: 71,900 sq.m.



SUZHOU

PARADISO PAVILION

Residential Project

GFA: 270,600 sq.m.

Suzhou Paradiso Pavilion (蘇州可逸蘭亭) is located in the Huaqiao Economic Development Zone of Kunshan in Suzhou City, Jiangsu Province. Conveniently situated at the junction of Shanghai and Suzhou, the project is only a 5-minute drive from the city center of Kunshan and the Huaqiao Station of Line 11 of the Shanghai Metro. It is also close to the China National Highway 312, thus highly accessible to transportation. Lifestyle needs are also fully met by the nearby facilities including a unique commercial street. The project is jointly developed by Yuexiu Property and Guangzhou Guangdian Property Development Group Co., Ltd.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group takes “Where Good Living Starts” as responsibility and the performance of social responsibilities as one of the fundamental principles of corporate development. In 2015, the Group has been driven to establish the corporate social responsibility management system aiming at sustainable development, and improved “Yuexiu Property Social Responsibility Management System Handbook”, incorporating the concept of corporate social responsibility into operation and management to implement the corporate mission of “benefiting shareholders, employees and society” which realized the improving performance of social responsibility.

CHARITABLE ACTIVITIES

The Group actively participated in charitable activities such as supporting the poor. Guiding by the “Guangdong Province Yuexiu Group Charity Foundation” which was initiated by Yuexiu Group, the Group’s parent company, the Group consolidated the social forces and resources effectively to carry out charitable activities systematically and has implemented a number of projects in poverty alleviation, disaster relief etc. in China. In 2015, the Group contributed a total amount of approximately RMB4 million in donations to society.

In 2015, the Group continued poverty relief work in the poverty stricken area of Mashan Village, Baxiang Town, Fengshun County, Meizhou City, Guangdong Province, helped local farmers to build up businesses of alpine tea, sweet potato and bee cultivation in order to achieve long-term supporting. Moreover, the construction of Xinmin Primary School in the earthquake stricken area of Ludian Town, Zhaotong City, Yunnan Province in which the Group participated reconstruction was completed and the school has been put into use in 2015.

VOLUNTEER AND COMMUNITY ACTIVITIES

The Group has actively encouraged employees to participate in volunteer activities. With their action to promote caring for others, caring for society and caring for nature, the voluntary activities including blood donation, visiting disabled senior citizens and consulting for country development, were carried out sustainably and thoroughly. The Group also launched community culture and sport activities in its property projects such as activities in Mid-Autumn Festival and Children’s Day, in order to build up the harmonious community atmosphere of happiness.



GREEN ENVIRONMENT PROTECTION

The Group attached great importance to environmental protection activities aimed at energy and land resources conservation, reducing pollution and emissions and developed practical green development system in the construction process to create environment-friendly production activities. Meanwhile, the Group also advocated green office and philosophy of energy conservation and management. The Group was a leading enterprise in green building technology, Guangzhou Yuexiu Financial Tower which was under the Group was elected to the list of 2015 Annual National Green Building Innovation Award which was released by Ministry of Housing and Urban-Rural Development of China (MHURD) (國家住房和城鄉建設部). Yuexiu Financial Tower was the first office building project to receive such award in Guangzhou.

STAFF HEALTH AND CARE

The Group emphasized on human care and strived to create a healthy and comfortable working environment for our staff to enhance their sense of belonging and make them experience the warm atmosphere as home. The Group established the profile of staff in difficulty and treated it as long-term and systemic work. The Group also built up a system of occupational disease prevention and injury prevention, 1,778 people participated in Occupational Safety and Health Training in 2015. Last but not the least, the Group set up the Home of Staff to provide a variety of cultural and sports facilities to them, and also held a wide variety of staff activities, such as singing competition, badminton matches, outdoor hiking etc., which cultivated our staff in the importance of physical and mental health development and work-life balance.



INVESTOR RELATIONS REPORT



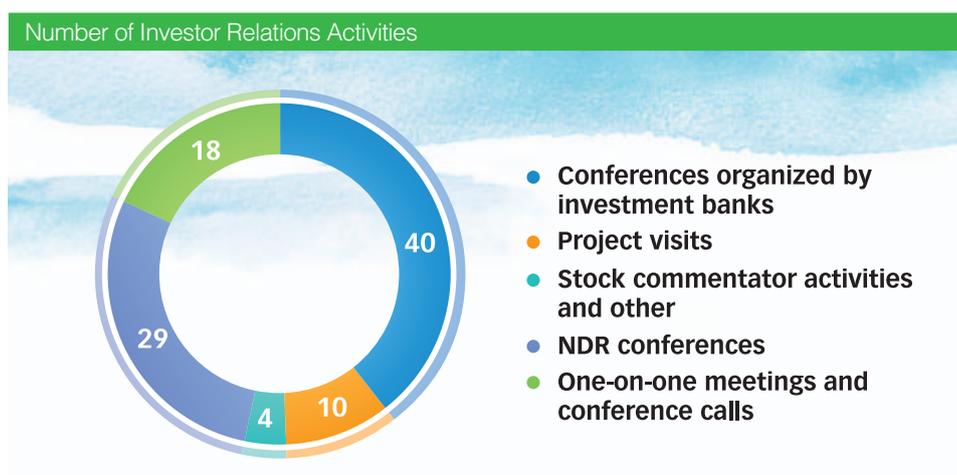
In 2015, the Group made timely adjustments to recommended strategies of investor relations subject to the market condition, and further strengthened understanding of the market on the Group through effective and accurate communication to deliver information such as business performance and the latest development.

On the other hand, dedicated team for investors relation also put great efforts to provide feedback from capital market to the Board and the management to help them better understand the opinions and requests of the capital market on the Group. Meanwhile, executive directors and senior management of the Group also directly listened to opinions of shareholders and investors through attending all kinds of investor relation activities. The Board also regularly listened to work reports on investor relation which included opinions on the Group's results by investors, the way to better improve investor relation services, strengthen communication of information and enhance transparency. Through these efforts, the Group provided reference for the Board and management to formulate future operation strategies, hence better creating value for shareholders.

In 2015, the Group maintained close communication with the capital market, released and delivered important information about the Group's operations and development on a timely and accurately basis in various manners such as roadshows, large-scale investor conferences held by investment banks, one-to-one meetings, conference calls as well as on-site visits in order to strengthen investor's understanding of the Group and establish a good market image. During the year, the Group has organized or participated in a total of over 100 investor relation activities, and met with more than 400 investors.

2015 MAJOR INVESTOR RELATION ACTIVITIES

Month	Venue	Activity
January	Hong Kong	Barclays 2015 China Property Day
February	Hong Kong	Yuexiu Property 2014 Annual Results Announcement Conference
March	Hong Kong	Yuexiu Property 2014 Annual Results NDR
March	Singapore	Yuexiu Property 2014 Annual Results NDR
May	Hong Kong	Macquarie Greater China Investor Conference
May	Hong Kong	Barclays Asia Financial and Property Conference
May	Hong Kong	Yuexiu Property 2015 Annual General Meeting
May	Beijing	JP Morgan Global China Summit
May	Shanghai	Yuexiu Property 2014 Annual Results NDR
June	Hong Kong	Citi Asia Pacific Property Conference
August	Hong Kong	Yuexiu Property 2015 Interim Results Announcement Conference
August	Hong Kong	Yuexiu Property 2015 Interim Results NDR
September	Singapore	Yuexiu Property 2015 Interim Results NDR
November	Beijing	Merrill Lynch 2015 China Conference
November	Macau	Citi 10th China Investor Conference
November	Singapore	Morgan Stanley 14th Asia Pacific Summit



In the future, the Group's dedicated investor relation team will continue to strive for more extensive communications, listen to the voice of the market, deliver the latest information of the Group, and strength capital market's recognition of and confidence in the Group.

For any questions, please email to ir@yuexiuproperty.com and we will reply as soon as possible according to the relevant laws and regulations. In addition, the website of the Group (www.yuexiuproperty.com) also contains details of business development and operation, financial information, corporate governance and other information of the Group for public inspection.

AWARDS AND RECOGNITIONS

“Corporate Governance Gold Award 2015”

The Asset Magazine

“Outstanding Chinese Property Developers Award 2015”

Economic Digest

“5th Asian Excellence Award – Best Investor Relations Company”

Corporate Governance Asia

The Group’s Annual Report For The Year of 2014 Was Awarded:

“ARC Annual Report Awards – Interior Design – Real Estate Development Various & Multi-Use Bronze Winner”

“Galaxy Annual Report Awards - Overall Presentation – Property Development Honor Winner”

MERCOMM, INC.

The Group’s Annual Report For The Year of 2014 Was Awarded:

“LACP Vision Award – Real Estate/REIT – Gold Award”

“LACP Vision Award – Business Services – Bronze Award”

League of American Communications Professionals (LACP)

2015 Best 30 of China Real Estate Developers Brand Value

China Real Estate Association/China Real Estate Research Association/China Real Estate Appraise Center

Model Enterprise with Social Responsibility

Guangdong Real Estate Association

Annual Most Influential Enterprise

7th Annual Conference of China Estate

2015 Sunlight Real Estate Company in Guangzhou

Guangzhou Real Estate Association

2015 Excellent Enterprise in CSR

Xinhuanet

2015 Top 100 of China Real Estate New Forces

Tencent

Annual Most Valuable Real Estate Listed Company

National Business Daily



EXECUTIVE DIRECTORS

Mr Zhang Zhaoxing, aged 52, was appointed Chairman of the Company in July 2013. Mr Zhang has been an executive director of the Company since 2008. He had been Vice Chairman and General Manager of the Company. He is also chairman and a director of Guangzhou Yue Xiu Holdings Limited (“Guangzhou Yue Xiu”) and Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) and chairman and a non-executive director of Yuexiu Financial Holdings Limited (“YFHL”). He is also chairman and a non-executive director of Chong Hing Bank Limited (“Chong Hing Bank”) (Stock Code: 1111), the shares of the company mentioned above is listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Mr Zhang had been chairman and an executive director of Yuexiu Transport Infrastructure Limited (“Yuexiu Transport”) (Stock Code: 1052). Mr Zhang holds an executive master of business administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Prior to joining Yue Xiu in 2008, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2152). Mr Zhang is a deputy of the 12th National People’s Congress of the People’s Republic of China.

Mr Zhu Chunxiu, aged 53, was appointed Vice Chairman and executive director of the Company in July 2013. Mr Zhu is also vice-chairman and general manager of Guangzhou Yue Xiu and Yue Xiu. He is also a non-executive director of YFHL and Chong Hing Bank, and chairman and an executive director of Yuexiu Transport. Prior to joining Yue Xiu in 2013, Mr Zhu was vice-chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the degree in executive master of business administration by Sun Yat-sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th session of the Guangzhou City People’s Congress.

Mr Lin Zhaoyuan, aged 46, was appointed Vice Chairman, executive director and general manager of the Company in November 2015. Mr Lin is also a deputy general manager of Guangzhou Yue Xiu and Yue Xiu, a non-executive director and chairman of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), and chairman of the board of Guangzhou City Construction & Development Co. Ltd. (“GZCCD”). Mr Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-Sen University and the qualification of mechanical engineer. He had been chairman of the board of Guangzhou Paper Group Limited and an assistant to General Manager of Guangzhou Yue Xiu and Yue Xiu. Mr Lin has relatively extensive work experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

DIRECTORS' PROFILES

Mr Li Feng, aged 47, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of, as well as general manager of the capital department of Guangzhou Yue Xiu and Yue Xiu, and a director of GZCCD, mainly responsible for organizing and implementing Guangzhou Yue Xiu group's major capital operation plans and coordinating investor relations for Guangzhou Yue Xiu group's listed companies. He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)) and a non-executive director of Chong Hing Bank. Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department, and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu group; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

Mr Ou Junming, aged 47, was appointed executive director of the Company in March 2014. Mr Ou is the chief financial officer of the Company, chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu, the general manager of information management department of Guangzhou Yue Xiu and a director of GZCCD, as well as a non-executive director of YFHL. Mr Ou graduated from the Business School of Sun Yat-sen University majoring in accounting, and obtained a bachelor's degree in economics. He holds the qualifications of a Certified Public Accountant and Certified Appraiser in China, and the qualification of an International Certified Internal Auditor. Mr Ou joined Yue Xiu in November 2001 and has successively held various positions, including manager, assistant to general manager and deputy general manager of supervision and auditing department, and general manager of auditing department of Guangzhou Yue Xiu. Mr Ou has participated in the operational management of major capital operation projects of Guangzhou Yue Xiu group; he is familiar with internal control and financial management of listed companies, and has extensive experience in corporate finance and capital management. Prior to joining Yue Xiu, Mr Ou worked in the foreign auditing department of Guangdong Provincial Audit Office and Tin Wha Huayue Certified Public Accountants Guangdong (formerly known as "Huayue Certified Public Accountants Guangdong").

Mr Ou Shao, aged 41, was appointed executive director and general manager, operations of the Company in November 2015. Mr Ou is also a deputy general manager of the Company and the general manager of sales centre. Further, Mr Ou is the vice chairman of the board and general manager of GZCCD; and chairman of the board of the Company's project companies for real estate development ("Project Companies") in Wuhan, Hangzhou, Shenyang, Yantai and Qingdao. Mr Ou holds a bachelor degree of economics of the Sun Yat-Sen University, a master degree of business administration of the City University of Macau and the qualification of senior economist. He had been secretary to the board of Guangzhou City Construction & Development Group Co. Ltd., the general manager of Investment Department, assistant to general manager of GZCCD and general manager of each Project Company. Mr Ou has about 20 years of experience in real estate industry and has achieved notable work results in investment, sales, project development and corporate management and played an active part in the Company's layout throughout the country.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 68, has been an independent non-executive director of the Company since 1992. He is also an independent non-executive director of YFHL and Chong Hing Bank. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 61, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116), REXLot Holdings Limited (Stock Code: 555) and Medicskin Holdings Limited (effective 3 December 2014) (Stock Code: 8307). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 68, has been an independent non-executive director of the Company since 2004. He obtained a bachelor of laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (formerly known as "Franshion Properties (China) Limited") (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport, Joy City Property Limited (formerly known as "COFCO Land Holdings Limited") (Stock Code: 207), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited (formerly known as "Wing Hang Bank, Limited", which shares were delisted from the Stock Exchange on 16 October 2014), Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Investment Limited, Helicoil Limited and Wyman Investments Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

Throughout the year ended 31 December 2015, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures, applicable rules and regulations.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised six executive directors and three independent non-executive directors during the year ended 31 December 2015.

On 10 November 2015, Mr Tang Shouchun and Mr Chen Zhihong resigned as executive directors of the Company, Mr Lin Zhaoyuan was appointed as Vice Chairman of the Board and an executive director of the Company and Mr Ou Shao was appointed as an executive director of the Company.

For a list of directors during the year ended 31 December 2015 and up to the date of this annual report, please refer to page 65 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

Shareholders may propose a candidate for election as director in accordance with the Articles of Association of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Training for Directors

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, directors are provided with written training materials to develop and refresh their professional knowledge and skills.

During the year, the Company had arranged tailor-made training programmes conducted by reputable international legal and audit firms and other professional bodies for the directors with an emphasis on latest development regarding the Listing Rules, other applicable legislative/regulatory compliance, 《Environmental, Social and Governance Reporting Guide》, money laundering as well as financial risk management. According to the records maintained by the Company, the directors received trainings in the following areas:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/Briefings
<i>Executive Directors</i>		
Zhang Zhaoxing	√	√
Zhu Chunxiu	√	√
Lin Zhaoyuan (appointed with effect from 10 November 2015)	√	√
Tang Shouchun (resigned with effect from 10 November 2015)	√	√
Chen Zhihong (resigned with effect from 10 November 2015)	√	√
Li Feng	√	√
Ou Junming	√	√
Ou Shao (appointed with effect from 10 November 2015)	√	√
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

Board Meetings

Number of Meetings and Directors' Attendance

In year 2015, the Board held 25 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting
<i>Executive Directors</i>			
Zhang Zhaoxing	4/4	21/21	√
Zhu Chunxiu	3/4	21/21	√
Lin Zhaoyuan (appointed with effect from 10 November 2015)	N/A	4/4	N/A
Tang Shouchun (resigned with effect from 10 November 2015)	3/4	17/17	√
Chen Zhihong (resigned with effect from 10 November 2015)	3/4	17/17	√
Li Feng	4/4	21/21	√
Ou Junming	4/4	21/21	√
Ou Shao (appointed with effect from 10 November 2015)	N/A	4/4	N/A
<i>Independent Non-Executive Directors</i>			
Yu Lup Fat Joseph	4/4	21/21	√
Lee Ka Lun	4/4	21/21	√
Lau Hon Chuen Ambrose	3/4	21/21	√

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman is held by Mr Zhang Zhaoxing. On 10 November 2015, Mr Chen Zhihong resigned as General Manager of the Company and thereafter Mr Lin Zhaoyuan serves as General Manager of the Company.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- (a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2015 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and one executive director, namely Mr Zhang Zhaoxing. The chairman of the committee is Mr Yu Lup Fat Joseph.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure, and recommendations on the remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meetings Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2
<i>Executive Director</i>	
Zhang Zhaoxing	2/2
Tang Shouchun (ceased to be a member with effect from 10 November 2015)	1/1

Two meetings were held in 2015 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review and the remuneration of newly appointed executive directors.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises two executive directors and three independent non-executive directors. The committee is chaired by the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	Meetings Attended
<i>Executive Directors</i>	
Zhang Zhaoxing	2/2
Zhu Chunxiu	2/2
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

The Nomination Committee held two meetings during the year ended 31 December 2015 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors concerning their compliance with the Model Code and all the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is also the company secretary of Yue Xiu, Yuexiu Transport and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2015, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the financial statements and auditor's remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to approximately RMB5,996,000 and RMB1,900,000 respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

CORPORATE GOVERNANCE REPORT

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the general meetings. Separate resolutions are proposed at general meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Company and the Stock Exchange respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the directors to call a general meeting of the Company. The requisition must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The requisition may consist of several documents in like form. The requisition may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. If the directors of the Company do not within 21 days after the date on which they become subject to the requirement call a general meeting for a date not more than 28 days after the date of notice convening the meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, and the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. Pursuant to Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an annual general meeting to which the request (mentioned below) relates, or at least 50 shareholders having a right to vote on the resolution at an annual general meeting to which the request relates, may submit a written request to put forward a resolution which may properly be moved at an annual general meeting.

CONSTITUTIONAL DOCUMENTS

During 2015, there is no change in the Company's Articles of Association. The Company's Articles of Association are available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, joint ventures, associated entities are set out in the section headed "Group Structure" on pages 165 to 176.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 80.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2015. They are summarised as follows:

	RMB' 000
Interim dividend of HK\$0.029 equivalent to approximately RMB0.024 per ordinary share paid on 10 November 2015	294,648
Proposed final dividend of HK\$0.019 equivalent to approximately RMB0.016 per ordinary share	198,421
	<hr/> 493,069

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 8 June 2016, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 3 June 2016.

In addition, the register of members of the Company will be closed from Wednesday, 15 June 2016 to Friday, 17 June 2016, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 14 June 2016.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB4 million.

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2015 and the likely future developments in the Group's business, is set out in the "Chairman's Statement", and "Management Discussion and Analysis" sections of this Annual Report. Principal risks and uncertainties facing the Group are set out in the Risk Management Report. Details about the Group's financial risk management are set out in note 3 to the Consolidated Financial Statements.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Corporate Governance Report, this Report of the Directors, Corporate Social Responsibility Report and Investor Relations Report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

INTEREST AND NET FOREIGN EXCHANGE LOSS CAPITALISED

During the year, interest and net foreign exchange loss capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,752 million (2014: RMB1,133 million).

DISTRIBUTABLE RESERVES

As at 31 December 2015, the distributable reserves, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB1,643 million (2014: RMB3,174 million).

DIRECTORS

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

Mr Zhang Zhaoxing	
Mr Zhu Chunxiu	
Mr Lin Zhaoyuan	(appointed with effect from 10 November 2015)
Mr Tang Shouchun	(resigned with effect from 10 November 2015)
Mr Chen Zhihong	(resigned with effect from 10 November 2015)
Mr Li Feng	
Mr Ou Junming	
Mr Ou Shao	(appointed with effect from 10 November 2015)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive Directors*

The Directors' Profiles are set out on pages 51 to 53.

REPORT OF THE DIRECTORS

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Zhang Zhaoxing, Li Feng and Ou Junming will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, all offer themselves for re-election. Messrs Lin Zhaoyuan and Ou Shao will retire in accordance with Article 98 of the Company's Articles of Association at the next following general meeting and, being eligible, all offer themselves for re-appointment.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

DIRECTOR'S SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the year or during the period from 1 January 2016 to the date of this report are available on the Company's website (www.yuexiuproperty.com).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance to which the Company's subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company have arranged and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors.

CONNECTED TRANSACTIONS

During the reporting year, the following connected transactions were entered into on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Nature of Transaction
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	The Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HK\$300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively
11 February 2015	廣州越秀仁達八號實業投資合夥企業(有限合夥)(Guangzhou Yuexiu Renda No.8 Business Investment Enterprise (Limited Partnership))	An associate of the ultimate holding company of the Company	Formation of project company in relation to the acquisition and development of a parcel of land situated in Foshan city pursuant to the cooperation agreement dated 11 February 2015
31 August 2015	廣州越秀仁達二號實業投資合夥企業(有限合夥)(Guangzhou Yuexiu Ren Da No. 2 Business Investment Enterprise (Limited Partnership))	An associate of the ultimate holding company of the Company	Exercise of the call option for the acquisition of the joint venture partner's equity interest of the joint venture in relation to the development of a parcel of land situated in Hangzhou City, pursuant to the equity transfer agreement and the call option exercise agreement dated 31 August 2015
31 August 2015	深圳市越秀鵬程房地產投資合夥企業(有限合夥)(Shenzhen Yuexiu Pengcheng Real Estate Investment Partnership (Limited Partnership))	An associate of the ultimate holding company of the Company	Exercise of the call option for the acquisition of the joint venture partner's equity interest of the joint venture in relation to the development of a parcel of land situated in Hangzhou City, pursuant to the equity transfer agreement and the call option exercise agreement dated 31 August 2015
23 September 2015	廣州越秀融資租賃有限公司(Guangzhou Yuexiu Financial Leasing Co., Ltd.)	A subsidiary of the ultimate holding company of the Company	Transfer of lease assets and provision by Guangzhou Yuexiu Financial Leasing Co., Ltd of the lease transactions consultancy services pursuant to the finance lease agreement and lease transactions consultancy agreement dated 23 September 2015

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction
			<p>The lease consideration consists of the principal amount of RMB500 million and lease interests. The annual lease interest rate was approximately 6.1905% as at the date of the finance lease agreement, which will be adjusted in case of change of the annual RMB benchmark lending rate for term loans of 3 years. Based on this interest rate, the total amount of lease interests payable for the entire lease period of 36 months commencing from the date of the finance lease agreement is approximately RMB92,349,867.71. The consultancy fee payable by a subsidiary of the Company under the lease transactions consultancy agreement is a fixed sum of RMB15 million which has been paid in full on the date of the lease transactions consultancy agreement</p>
30 November 2015	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited)	The ultimate holding company of the Company	A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu Holdings Limited on 30 November 2015 to govern the leasing of the lease properties for the years ending 31 December 2016, 2017 and 2018 respectively

The aggregate bank balances deposited by the Group with Chong Hing Bank (“Continuing Connected Transactions”) amounted to approximately RMB220,036,000 as at 31 December 2015.

The Continuing Connected Transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the Continuing Connected Transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the 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 an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the annual cap in respect of the disclosed Continuing Connected Transactions.

Other related party transactions including rental expenses paid to and rental income received from related parties disclosed in notes 43(b)(I) and (V), and management fees paid to a related party disclosed in notes 43(b)(IV) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the reporting year and are regarded as “de minimis transactions” pursuant to the Listing Rules. Administrative services fee received from a related party disclosed in note 43(b)(III) to the consolidated financial statements constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	3,200,000	0.026
Mr Lau Hon Chuen Ambrose	Personal	4,841,200	0.039
Mr Lin Zhaoyuan	Personal	373,464	0.003
Mr Li Feng	Personal	172,900	0.001

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012
Mr Lin Zhaoyuan	Personal	120	0.00001

Save as disclosed herein, as at 31 December 2015, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code .

Save as disclosed herein, at no time during the year was the Company or a subsidiary a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note)	Interests of controlled corporations	6,159,447,662 (Long position)	49.67
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Interests of controlled corporations	6,159,447,662 (Long position)	49.67

Note:

Pursuant to the SFO as at 31 December 2015, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Yue Xiu	6,159,447,662
Superb Master Ltd.	401,989,620
Excellence Enterprises Co., Ltd. ("Excellence")	5,749,874,187
Bosworth International Limited ("Bosworth") (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. ("Sun Peak")	978,065,907
Novena Pacific Limited ("Novena") (Note ii)	978,065,907
Shine Wah Worldwide Limited ("Shine Wah")	273,266,721
Morrison Pacific Limited ("Morrison") (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. ("Perfect Goal")	234,689,273
Greenwood Pacific Limited ("Greenwood") (Note iv)	234,689,273
Seaport Development Limited ("Seaport")	60,918,133
Goldstock International Limited ("Goldstock") (Note v)	60,918,133
Yue Xiu Finance Company Limited	7,583,855

- (i) 4,202,934,153 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 978,065,907 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 273,266,721 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 234,689,273 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 60,918,133 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

Save as disclosed herein, as at 31 December 2015, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 per cent. of the Group's total sales and purchases respectively.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhang Zhaoxing

Chairman

Hong Kong, 29 February 2016

RISK MANAGEMENT REPORT

I. RISK MANAGEMENT CONCEPT

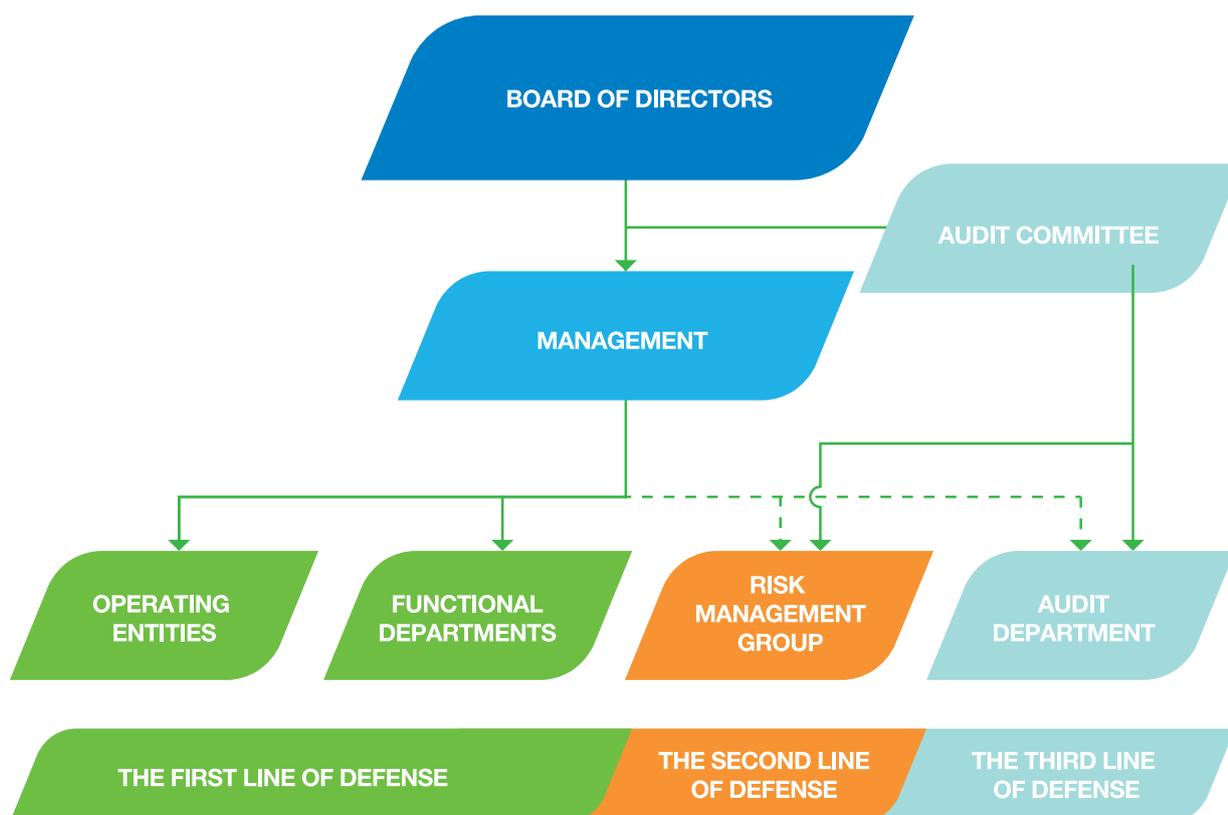
Risk management of the Group refers to any factors that may affect the realization of its strategic goals by the Group, including incidents, accidents or acts that have a substantial impact on the success potential (e.g. reputation), assets, capital, profitability or liquidity (cash) of the Group. The Board, management and employees of the Group jointly participate in the risk management which is applied to the formulation of strategies by the Group. Risk management infiltrates all departments and all operating activities of the whole group, identifies the potential items that may affect the Group and manages risks within the range of its risk appetite so as to provide reasonable assurance for achieving the goals of the Group.

II. RISK APPETITE

The Group will maintain a stable capital and liabilities structure to strike a balance between risks and income return and maintain sufficient capital to resist various kinds of risks that might be faced:

1. Financial risk, including interest foreign exchange risk, interest rate risk and liquidity risk
2. Market risk, including investment decision risk, property development risk, commercial properties' operational and management risk
3. Legal and compliance risk
4. Reputational risk

III. RISK MANAGEMENT STRUCTURE



The Board of Directors is the highest governing body for risk management of the Group and is ultimately responsible for the establishment and effective operation of the overall risk management system. It is responsible for the establishment, improvement and effective operation of the overall risk management system and specifying the division of responsibilities of the senior management and all departments in the risk management system. The Board of Directors and the Audit Committee under it are decision making bodies for risk management. The Risk Management Group implements the coordination, guidance and inspection of routine risk management and submits risk management work reports to the Audit Committee and the Board of Directors. The departments and the responsible entities are the specific units responsible for risk management and assign the risk management responsibility positions (departments) and the contact person for risk management to be responsible for the coordination and driving forward risk management work of such units.

The Group has set up “three lines of defense” against various types of risks, i.e. business departments and responsible entities as the first line of defense; the Risk Management Group as the second line of defense; internal audit as the third line of defense. The first line of defense is the risk bearer and is also directly responsible for risk management, with the responsibility of identifying, measuring and monitoring the risks of their respective business areas, and has primary and direct responsibilities for managing and controlling risks borne by their operating activities. The second line of defense is responsible for coordinating and formulating the risk appetite, policies and systems of the Group, summarizing and monitoring the risk exposure and management of all business areas and propelling the first line of defense to continuously improve its risk management and control measures. The third line of defense is responsible for carrying out independent tests, verification and evaluation on the integrity and effectiveness of the risk management framework and the internal control system and providing independent and objective assessments of the effectiveness of the risk management system that has been established.

IV. RISK MANAGEMENT PROCEDURE

The Group carries out risk identification and evaluation by reference to the ERM framework of COSO and in accordance with the frequency of the occurrence of various kinds of risks and the degree of attention of the management of the Group and taking into account possible financial losses and the impact on operating efficiency, sustainable development capability and reputation, and on this basis, designs risk management strategies and response plans in respect of major risks so as to raise the management and control standard and implements the same in the ordinary course of business.

1. Collection of Initial Risk Management Information

The functional departments and their subsidiaries collect initial information relating to internal and external risk management based on their division of responsibilities in accordance with the five risk categories of strategy, finance, market, operation and law, including industry and enterprise related historical data, risk cases and other information.

2. Risk Evaluation

The Group classifies identified risks in accordance with a unified risk language, describes the conditions for the occurrence of risks, rationalizes the current risk management situation and evaluates the extent of the impact of risks on the realization of objectives by the enterprise and the value of opportunity risk by way of questionnaire surveys, interviews with senior executives and statistical analyses, etc., and conducts qualitative or quantitative analyses of risks from the two dimensions of the possibility of the occurrence and the extent of the impact of risks.

RISK MANAGEMENT REPORT

3. Formulation of Risk Management Strategies

For risks causing possible losses within the enterprise's sustainable scope and having a minimal impact on the overall objective of the Group, strategies such as risk taking and risk control can be adopted. For other risks that might have a more significant impact, prudent risk management tools such as risk avoidance and risk transfer are adopted to reduce or prevent losses arising from risks.

4. Improvement of Risk Management Measures

Risk management measures are improved in accordance with the risk management strategy, taking into account the business plan of the Group and by targeting major risks and various kinds of risks: including the specific target of risk management, organization and leadership required, human and financial resources required, management and business processes required, risk management tools adopted and specific countermeasures.

5. Supervision and Improvement

Through the formulation of major risk early warning indicators and the implementation of internal audit, etc., the risk management system of the Group is reviewed and summarized on a regular basis to unleash and continuously enhance the effectiveness of risk management.

V. MAJOR RISK MANAGEMENT INITIATIVES IN 2015

For optimizing the risk management system, the Group initially set up a risk appetite indicator system in accordance with new regulations to strengthen identification and evaluation of major risk as well as enhance the internal audit on core business procedures such as procurement by bidding and tender, sales and settlement of construction work, promoting cooperation and interaction between risk management functions and internal audit functions and increasing the strength of the risk management system.

For financial risks, the Group carefully segmented its fund allocation with a thorough and balanced budget planning, maintained a good cooperation relationship with banks. The percentage of bank borrowings was controlled within the range specified by banks, thus capital demand and safety was protected and the investment-grade rating of the Group was maintained.

For operation risks, through the continuous establishment of sound systems, processes and the power and responsibility system, the Group rectified deficiencies, supplemented and improved the measures for risk control and prevention, revised and improved the administration rules in financial management, cost management and bidding and tender procedures and reduced risk exposures in business execution and operation.

For legal compliance risks, by focusing on new areas such as real estate finance and business partners as well as key aspects such as major investment and financing, property sales and business operations, the Group strengthened legal audit and anti-corruption supervision to bolster its control and management of such risk exposures.

For reputation risks, internal audit on activities organised under various themes was strengthened and, with the assistance of information technology, the daily monitoring of mainstream media was improved.

VI. 2016 OUTLOOK AND MAJOR MEASURES

- (1) The Group continued to comply with the Listing Rules and the best practices of the industry to enhance the risk management system.

Focus on the positioning of “strategic protection”, adhere to the strategic goals and business plans of the Group and enhance the risk appetite and threshold indicator system. Through risk identification, evaluation, response, monitoring and reporting and the process of continued improvement, foundation for healthy development of the Group was laid to facilitate the realization of its strategic goals.

Persist with the concept of integrating risk management with business management, vigorously push forward the combination of risk management and daily operations, combine the enhancement of system establishment with the improvement of processes and systems, and embody the ideas and requirements of risk management in various specific management and business activities.

Enhance the function of the “Three Lines of Defense” and improve the risk management system. Reinforce the duty of “managing risks” of the “First Line of Defense” of functional departments and responsible units through regulating business processes and internal control; continuously optimize the organization mode in respect of risk management, reinforce the duty of the “Second Line of Defense” of risk management functional departments; fully capitalize on the “Third Line of Defense” function of internal audit and supervision.

RISK MANAGEMENT REPORT

- (2) For management of specific risks, after the process of risk identification and assessment, the Group considers that the following risks should be attended to (There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future):

Risk	Risk Description	Risk Management and Control Measures Intended to be adjusted
Business Operation Risk	Unsatisfactory business management model and positioning of commercial properties which affect the realization of the business objectives of the commercial properties of the Group.	<ol style="list-style-type: none"> 1. Strengthen the market research to provide guiding opinions in respect of the market position of projects, development strategies and project planning. 2. Collect market information in a highly efficient manner, enhance its business database, engage professional organizations as cooperation advisors, so as to dynamically obtain commercial property information and provide basis for planning regional expansion.
Investment Feasibility Study and Decision Making Risk	The risk of making wrong judgment and impairing the profit of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	<ol style="list-style-type: none"> 1. Enhance the investment project information database to assist in decision making; 2. Optimize guidelines for the preparation of feasibility study reports, organize inter-departmental review of feasibility study reports and ensure the standard and accuracy of feasibility study reports.
Land Bank Risk	The risk of failure to realise the Group's operational target due to unsatisfactory reserve and use of land resources by the Group.	<ol style="list-style-type: none"> 1. Optimize the Group's development planning with a thorough consideration of the potential of urban development and the operating efficiency of regional companies, and formulate a regional layout plan; 2. Formulate and implement an annual investment plan in accordance with the development plan and taking into account the regional land bank of the Group; 3. Update land bank and dynamic revenue of projects on a quarterly basis and make an inventory of the resources of the Group.

Risk Name	Risk Description	Risk Management and Control Measures Intended to be adjusted
Exchange rate risk	The risk of losses caused by fluctuations in the exchange rate due to holding of foreign exchange assets or liabilities by the Group	<ol style="list-style-type: none"> 1. Adjust the financing strategy and optimize the loan currency structure; consider using certain hedging instruments at appropriate costs; 2. Enhance its foreign exchange risk reporting mechanism, conduct monthly forecast on the impact of foreign exchange fluctuations on the earnings and assets of the Group, and issue early warnings on a timely basis and submit response plans.
Market demand and supply and policy risk	Systematic risk, such as the impact of market demand and supply relationship, macroeconomic policy and fiscal, tax and financial policies, etc. on the business development of the Group.	<ol style="list-style-type: none"> 1. The functional departments and regional companies designate personnel to carry out the collection, analysis, compilation and reporting of information on policy adjustment and market changes from the perspectives of their respective specialized fields and duties or regional markets. 2. Purchase real estate industry related data and reports from third party institutions, implement internal sharing and submission through internal publications and management reports, etc., and optimize its rapid response and adjustment mechanism.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YUEXIU PROPERTY COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries set out on pages 80 to 176, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 February 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 RMB' 000	2014 RMB' 000
Revenue	5	22,115,677	15,701,739
Cost of sales	6	(17,456,861)	(11,563,718)
Gross profit		4,658,816	4,138,021
Proceeds from sales of investment properties		285,012	72,358
Direct costs of investment properties sold		(190,808)	(49,626)
Gain on sales of investment properties	20	94,204	22,732
Fair value gains on revaluation of investment properties, net	17	439,781	1,404,596
Other gains, net	7	114,421	437,009
Selling and marketing costs	6	(722,128)	(651,974)
Administrative expenses	6	(891,292)	(840,109)
Operating profit		3,693,802	4,510,275
Finance income	8	87,729	57,278
Finance costs	9	(1,127,670)	(514,322)
Share of profit/(loss) of			
– joint ventures	21	18,355	(10,793)
– associated entities	22	323,349	360,224
Profit before taxation		2,995,565	4,402,662
Taxation	10	(1,841,021)	(1,786,158)
Profit for the year		1,154,544	2,616,504
Attributable to			
Equity holders of the Company		1,012,889	2,471,255
Non-controlling interests		141,655	145,249
		1,154,544	2,616,504
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	11		
– Basic and diluted		0.0817	0.2329
Dividends	12	493,069	629,926

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 RMB' 000	2014 RMB' 000
Profit for the year	1,154,544	2,616,504
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	24,839	7,066
Change in fair value of available-for-sale financial assets, net of tax	40,851	63,838
Other comprehensive income for the year, net of tax	65,690	70,904
Total comprehensive income for the year	1,220,234	2,687,408
Attributable to:		
– Equity holders of the Company	1,076,357	2,538,687
– Non-controlling interests	143,877	148,721
	1,220,234	2,687,408

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 RMB' 000	2014 RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,462,807	1,286,323
Investment properties	17	14,168,595	12,614,339
Land use rights	18	244,458	255,043
Interests in joint ventures	21	5,134,642	1,287,803
Interests in associated entities	22	7,083,320	6,721,324
Available-for-sale financial assets	23	988,875	929,622
Deferred tax assets	38	208,302	152,400
		29,290,999	23,246,854
Current assets			
Properties under development	25	40,171,217	34,134,730
Properties held for sale	26	12,754,963	11,330,156
Prepayments for land use rights		11,888,938	9,324,805
Inventories	28	36,061	31,145
Derivative financial instruments	24	27	12,996
Trade receivables	29	32,465	24,440
Other receivables, prepayments and deposits		1,861,832	1,450,795
Taxation recoverable		783,447	562,089
Charged bank deposits	31	5,622,570	5,074,695
Cash and cash equivalents	32	9,545,548	7,882,648
		82,697,068	69,828,499
Non-current assets held-for-sale	30	36,587	—
LIABILITIES			
Current liabilities			
Trade and note payables	33	125,105	185,984
Advance receipts from customers		13,915,464	12,046,117
Other payables and accrued charges	34	20,374,641	10,950,353
Borrowings	35	5,511,795	8,415,093
Taxation payable		2,607,085	2,361,554
		42,534,090	33,959,101
Net current assets		40,199,565	35,869,398
Total assets less current liabilities		69,490,564	59,116,252

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 RMB' 000	2014 RMB' 000
Non-current liabilities			
Borrowings	35	32,653,146	23,644,280
Deferred tax liabilities	38	5,275,522	5,039,661
Deferred revenue		61,006	62,801
Other payables and accrued charges	34	34,686	116,082
		38,024,360	28,862,824
Net assets			
		31,466,204	30,253,428
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	12,759,402	12,759,402
Other reserves	37	542,555	464,592
Retained earnings	37	16,316,219	15,879,981
		29,618,176	29,103,975
Non-controlling interests		1,848,028	1,149,453
Total equity		31,466,204	30,253,428

On behalf of the Board

Zhang Zhaoxing
Director

Zhu Chunxiu
Director

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB' 000	2014 RMB' 000
Operating profit	3,693,802	4,510,275
Adjustments for:		
Depreciation and amortisation	57,835	73,069
(Gain) /loss on disposal of property, plant and equipment and land use rights	(49,618)	1,391
Gain on sales of investment properties	(94,204)	(22,732)
Fair value gains on revaluation of investment properties, net	(439,781)	(1,404,596)
Fair value loss on derivative financial instruments	12,969	34,646
Decrease in deferred revenue	(1,795)	(1,794)
Provision for impairment of properties held for sale	251,000	—
Excess of fair value of net assets of subsidiaries acquired over acquisition costs	(9,953)	—
Excess of fair value of net assets of a joint venture acquired over acquisition costs	(2,163)	—
Gain on deemed disposal of associates	(30,676)	—
Reversal of provision for impairment of property, plant and equipment and properties under development	—	(23,839)
Gain on disposal of subsidiaries	—	(449,414)
Gain on disposal of available-for-sale financial assets	—	(19,240)
Operating cash flows before movements in working capital	3,387,416	2,697,766
Increase in properties under development, properties held for sale and prepayments for land use rights	(4,964,893)	(7,251,557)
Increase in inventories	(4,916)	(20,469)
(Increase) /decrease in trade receivables, other receivables, prepayments and deposits	(94,787)	177,837
Increase in trade and note payables, other payables and accrued charges and advance receipts from customers	4,906,183	2,819,349
Movement in balances with related companies	21,298	67,339
Increase in amounts due to non-controlling interests	152,873	192,230
Net exchange difference for working capital	21,710	(12,010)
Net cash generated from/(used in) operations	3,424,884	(1,329,515)
Interest received	81,366	57,278
Interest paid	(1,860,392)	(1,639,306)
Hong Kong profits tax and Macau complementary income tax paid	(6,012)	(3)
China taxation paid	(1,649,280)	(2,593,265)
Net cash used in operating activities	(9,434)	(5,504,811)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB' 000	2014 RMB' 000
Investing activities		
Additions of property, plant and equipment	(167,365)	(323,254)
Additions of investment properties	(1,337,935)	(132,340)
Net proceeds from sale of investment properties	273,410	68,509
Dividends received from joint ventures	256,551	233,822
Payment to joint ventures and associated entities	(2,926,894)	(272,701)
Increase in charged bank deposits	(547,875)	(1,755,211)
Acquisition of subsidiaries, net of cash acquired	(865,697)	—
Proceeds from sales of property, plant and equipment	57,432	—
Capital injection in a joint venture	(1,126,104)	—
Capital injection in associated entities	—	(41,093)
Proceeds from sale of available-for-sale financial assets	—	24,440
Disposal of subsidiaries	—	693,188
Net cash used in investing activities	(6,384,477)	(1,504,640)

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB' 000	2014 RMB' 000
Financing activities			
Capital contribution from non-controlling interests		557,600	18,700
Dividends paid to equity holders of the Company		(562,156)	(621,507)
Dividends paid to non-controlling interests		(2,902)	(2,771)
(Decrease) /increase in amount due to an intermediate holding company		(526)	526
Increase/(decrease) in amounts due to joint ventures and associated entities		3,956,930	(319,533)
Decrease in amounts due to related companies		(13,805)	(450,619)
Increase in amounts due from non-controlling interests		(223,727)	—
Proceeds from bank borrowings		22,176,540	16,893,370
Repayment of bank borrowings		(18,347,713)	(10,515,687)
Proceeds from other borrowings		500,045	1,816,307
Repayment of other borrowings		—	(55)
Proceeds from issuance of ordinary shares		—	3,011,590
Net cash generated from financing activities		8,040,286	9,830,321
Increase in cash and cash equivalents		1,646,375	2,820,870
Cash and cash equivalents at the beginning of year		7,882,576	5,054,663
Exchange gain on cash and cash equivalents		16,534	7,043
Cash and cash equivalents at the end of year		9,545,485	7,882,576
Analysis of balances of cash and cash equivalents			
Bank balances and cash		9,545,548	7,882,648
Bank overdrafts		(63)	(72)
		9,545,485	7,882,576

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company			Non-controlling interests	Total
	Share capital	Reserves			
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2015	12,759,402	16,344,573	1,149,453	30,253,428	
Comprehensive income					
Profit for the year	—	1,012,889	141,655	1,154,544	
Other comprehensive income					
Currency translation differences	—	24,839	—	24,839	
Change in fair value of available-for-sale financial assets, net of tax	—	38,629	2,222	40,851	
Total other comprehensive income	—	63,468	2,222	65,690	
Total comprehensive income	—	1,076,357	143,877	1,220,234	
Transactions with owners					
Dividends paid	—	(562,156)	(2,902)	(565,058)	
Capital injection to subsidiaries	—	—	557,600	557,600	
Total transactions with owners	—	(562,156)	554,698	(7,458)	
At 31 December 2015	12,759,402	16,858,774	1,848,028	31,466,204	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company			Non-controlling interests	Total
	Share capital	Share premium	Reserves		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2014	854,089	8,891,760	14,429,356	984,803	25,160,008
Comprehensive income					
Profit for the year	—	—	2,471,255	145,249	2,616,504
Other comprehensive income					
Currency translation differences	—	—	7,066	—	7,066
Change in fair value of available-for-sale financial assets, net of tax	—	—	60,366	3,472	63,838
Total other comprehensive income	—	—	67,432	3,472	70,904
Total comprehensive income	—	—	2,538,687	148,721	2,687,408
Transactions with owners					
Issue of shares upon exercise of share options prior to 3 March 2014	20	101	—	—	121
Transfer upon exercise of share options	235	29	(264)	—	—
Transition to no-par value regime on 3 March 2014	8,893,589	(8,891,890)	(1,699)	—	—
Issue of share upon exercise of share options subsequent to 3 March 2014	965	—	—	—	965
Issue of share upon rights issue	3,010,504	—	—	—	3,010,504
Dividends paid	—	—	(621,507)	(2,771)	(624,278)
Capital contribution by non-controlling interest	—	—	—	18,700	18,700
Total transactions with owners	11,905,313	(8,891,760)	(623,470)	15,929	2,406,012
At 31 December 2014	12,759,402	—	16,344,573	1,149,453	30,253,428

The notes on pages 89 to 176 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Property Company Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in development, selling and management of properties and holding of investment properties. The Group’s operations are primarily conducted in Mainland China (“China”) and Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and Singapore Exchange Securities Trading Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 29 February 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and available-for-sale financial assets, which are carried at fair value.

At 31 December 2015, the Company’s current liabilities exceeded its current assets by approximately RMB3,028 million (31 December 2014: Net current liabilities of approximately RMB65 million). This is mainly because certain bank borrowings of approximately RMB3,314 million will fall due within twelve months of the balance sheet date. The directors aim to renew these bank borrowings or to obtain additional banking facilities in order to improve the liquidity of the Group. In addition, the directors also believe that the Company will be able to obtain sufficient cash flows from other group companies to repay the bank borrowings, if necessary, upon the due dates. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks and the strong financial position of the Group, which enhance the Group’s ability to renew the current bank borrowings upon expiry or to secure other adequate banking facilities and other source of financing activities.

Based on the Company’s cash flow projection, taking into account the above, the Company expects it has sufficient cash flows to meet its financial obligations as and when they fall due in the coming twelve months from the date of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *Amended standards adopted by the Group:*

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKAS 19 (Amendment)	Defined Benefit Plans - Employee Contributions
Annual improvements 2010-2012 cycle	Improvements to HKFRSs
Annual improvements 2011-2013 cycle	Improvements to HKFRSs

The Group has assessed the impact of the adoption of these amended standards that are effective for the first time for this financial year and considered that there was no material impact on the Group.

(b) *New Hong Kong Companies Ordinance (Cap. 622):*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in notes 2.2(f) and 2.2(g).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) *New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKAS 28 and HKFRS 10 (Amendments)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

(d) *New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:*

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) *Subsidiaries*

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

(b) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

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

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

(d) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) *Separate financial statements*

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

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

(f) *Associated entities*

Associated entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated entities includes goodwill identified on acquisition.

If the ownership interest in an associated entity is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(f) *Associated entities (Continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated entities' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated entity are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses of interests in associated entities are recognised in the consolidated income statement.

(g) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'finance costs'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets fair value reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint ventures that includes a foreign operation, or a disposal involving loss of significant influence over an associated entity that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated entities or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Buildings comprise mainly hotels and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25-50 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'charged bank deposits' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Impairment testing of trade and other receivables is described in note 2.12.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Available-for-sale financial assets

For equity investments a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement.

2.10 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development projects is expected to complete beyond normal operating cycle.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Non-current assets held for sale

Non-current asset is classified as held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current asset is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.15 Trade and note payables

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

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

2.16 Borrowings

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowing costs

Borrowings costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases recognised, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

General and specific 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 sales.

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

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Current and deferred income tax

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated entities and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated entities. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

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

2.20 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(b) *Share-based compensation (Continued)*

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting condition. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns rebates and discounts and after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (b) Operating lease rental income is recognised on a straight-line basis over the lease period.
- (c) Revenue from property management is recognised in the period in which the services are rendered.
- (d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.
- (f) Dividend income is recognised when the right to receive payment is established.
- (g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and no further performance obligations.
- (h) When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases including land use rights (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.24 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.25 Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2.27 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Financial guarantees are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.28 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided by its subsidiaries as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars ("HKD") and United States dollars ("USD"); for certain cash and bank balances of approximately RMB570 million (2014: RMB578 million) and bank borrowings of approximately RMB13,324 million (2014: RMB12,241 million) which were denominated in Hong Kong dollars ("HKD") and cash and bank balances of approximately RMB106 million (2014: RMB45 million) and bank borrowings of approximately RMB7,065 million (2014: RMB6,031 million) which were dominated in United States dollars ("USD") as at 31 December 2015. The Group will closely monitor the foreign exchange fluctuation and adopt alternative instruments to hedge foreign exchange exposure when appropriate.

At 31 December 2015, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been approximately RMB823 million higher/lower (2014: post-tax profit RMB692 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) Cash flow and fair value interest rate risk

At 31 December 2015, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB78 million lower/higher (2014: post-tax profit RMB45 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fixed notes accounted for approximately 19% of the total borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB67 million (2014: RMB63 million).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in note 41.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 32) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
At 31 December 2015					
Borrowings (principal amount plus interest)	5,765,389	15,501,632	11,577,849	7,145,408	39,990,278
Trade and note payables	125,105	—	—	—	125,105
Other payables and accrued charges	19,925,657	36,516	—	—	19,962,173
At 31 December 2014					
Borrowings (principal amount plus interest)	8,857,615	7,605,426	10,857,467	6,060,685	33,381,193
Trade and note payables	185,984	—	—	—	185,984
Other payables and accrued charges	10,556,841	84,500	37,622	—	10,678,963

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 RMB' 000	2014 RMB' 000
Total borrowings (note 35)	38,164,941	32,059,373
Less: Cash and cash equivalents (note 32)	(9,545,548)	(7,882,648)
Net debt	28,619,393	24,176,725
Total equity (including non-controlling interests)	31,466,204	30,253,428
Total capital	60,085,597	54,430,153
Gearing ratio	47.6%	44.4%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The increase in the gearing ratio during 2015 resulted primarily due to refinancing of certain indebtedness and general corporate purposes.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's certain financial instruments are measured in the balance sheet at fair value. The fair value measurement hierarchy is as follows:

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

For the Group's financial assets and liabilities that are carried at fair value, see note 23 for available-for-sale financial assets and note 24 for derivative financial instruments. For disclosures of the investment properties that are measured at fair value, see note 17.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015.

	Level 3 RMB' 000
Assets	
Derivative financial instruments – call options	27
Available-for-sale financial assets	988,875
Total assets	988,902

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 3 RMB' 000
Assets	
Derivative financial instruments – call options	12,996
Available-for-sale financial assets	929,622
Total assets	942,618

There were no changes in valuation techniques during the period.

There were no transfers between fair value hierarchy levels during the period.

Fair value measurements using significant unobservable inputs (Level 3)

31 December 2015	Available for sale financial assets RMB' 000	Derivative financial instruments– call options RMB' 000	Total RMB' 000
Opening balance at 1 January	929,622	12,996	942,618
Realised fair value loss of derivative financial instruments	—	(1,297)	(1,297)
Unrealised fair value loss recognised in profit or loss	—	(11,672)	(11,672)
Unrealised fair value changes recognised in other comprehensive income	59,253	—	59,253
Closing balance at 31 December	988,875	27	988,902

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

31 December 2014	Available for sale financial assets RMB' 000	Derivative financial instruments— call options RMB' 000	Total RMB' 000
Opening balance at 1 January	842,226	47,642	889,868
Disposal	(5,200)	—	(5,200)
Unrealised fair value loss recognised in profit or loss	—	(34,646)	(34,646)
Unrealised fair value changes recognised in other comprehensive income	92,596	—	92,596
Closing balance at 31 December	929,622	12,996	942,618

Group's valuation processes

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee ("AC"). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

The main Level 3 input used by the Group for available-for-sale financial assets pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

The main Level 3 input used by the Group for top-up liability pertains to the discount rate. Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate of 4.2% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate, and is a reasonable approximation of its fair value. The adjustment is recognised in "finance costs".

The main Level 3 inputs used by the Group in estimating the call options derivatives are gross development value, time to maturity, interest rate, and expected volatility. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value based on schedules provided by management of the Group, follow the Geometric Brownian motion.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value of financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Cash and cash equivalents and charged bank deposits
- Other receivables and deposits
- Other payables and accrued charges
- Trade and note payables
- Borrowings
- Cash and cash equivalents

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and land use rights have been determined based on the higher of their fair value less costs to sell and value-in-use, taking into account the latest market information and past experience.

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 17.

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 10.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Details of fair value estimates on available-for-sale financial assets have been disclosed in note 23.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group's management uses a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of fair value estimates on derivative financial instruments have been disclosed in note 24.

(j) Consolidation

Control is the basis for consolidation. Control exists when the Group is able to influence profitability of another company through its involvement and power over the operation of another company. To assess whether an entity has control over another entity involves significant judgement. Management has performed an assessment and considered the current accounting treatments for its subsidiaries, associated entities and joint ventures to be appropriate. Yuexiu Real Estate Investment Trust ("Yuexiu REIT") is accounted for as an associated entity since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company.

The Group has no equity in and/or control over the independent trustee. Among other key factors, the Group does not have any power to control the appointment of directors of the asset management company of Yuexiu REIT, as all of the directors are nominated by the nomination committee, which is comprised by a majority of independent non-executive directors. Accordingly, the Group does not control Yuexiu REIT.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Other	revenue from real estate agency and construction and building design consultancy services

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

5 SEGMENT INFORMATION (Continued)

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated income statement.

	Property development RMB' 000	Property management RMB' 000	Property investment RMB' 000	Others RMB' 000	Group RMB' 000
Year ended 31 December 2015					
Revenue	21,074,165	549,668	284,937	1,154,652	23,063,422
Inter-segment revenue	—	(97,339)	(5,283)	(845,123)	(947,745)
Revenue from external customers	21,074,165	452,329	279,654	309,529	22,115,677
Segment results	2,991,597	15,855	675,105	3,759	3,686,316
Depreciation and amortisation	(46,468)	(437)	—	(10,930)	(57,835)
Fair value gains on revaluation of investment properties, net	—	—	439,781	—	439,781
Share of profit of:					
- joint ventures	18,355	—	—	—	18,355
- associated entities	2,905	—	275,282	45,162	323,349
Year ended 31 December 2014					
Revenue	14,811,011	478,338	250,017	1,106,035	16,645,401
Inter-segment revenue	—	(80,870)	(5,206)	(857,586)	(943,662)
Revenue from external customers	14,811,011	397,468	244,811	248,449	15,701,739
Segment results	2,676,262	13,585	1,498,865	20,692	4,209,404
Depreciation and amortisation	(58,757)	(440)	—	(13,872)	(73,069)
Fair value gains on revaluation of investment properties	—	—	1,404,596	—	1,404,596
Share of (loss)/profit of:					
- joint ventures	(10,793)	—	—	—	(10,793)
- associated entities	5,093	—	337,347	17,784	360,224

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB' 000	Property management RMB' 000	Property investment RMB' 000	Others RMB' 000	Group RMB' 000
As at 31 December 2015					
Segment assets	83,153,011	542,040	14,168,595	422,808	98,286,454
Interests in joint ventures	5,134,642	—	—	—	5,134,642
Interests in associated entities	714,605	—	6,191,003	177,712	7,083,320
Total reportable segments' assets	89,002,258	542,040	20,359,598	600,520	110,504,416
Total reportable segments' assets include:					
Additions to non-current assets (note)	163,887	3,018	1,337,935	460	1,505,300
As at 31 December 2014					
Segment assets	67,439,095	455,924	12,614,339	390,443	80,899,801
Interests in joint ventures	1,287,803	—	—	—	1,287,803
Interests in associated entities	534,007	—	6,054,786	132,531	6,721,324
Total reportable segments' assets	69,260,905	455,924	18,669,125	522,974	88,908,928
Total reportable segments' assets include:					
Additions to non-current assets (note)	320,889	2,123	132,340	242	455,594

Note: Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in joint ventures and interests in associated companies) and deferred tax assets.

5 SEGMENT INFORMATION (Continued)

A reconciliation of total segment results to total profit before taxation is provided as follows:

	Year ended 31 December	
	2015 RMB' 000	2014 RMB' 000
Segment results	3,686,316	4,209,404
Unallocated operating costs (note)	(106,935)	(136,138)
Other gains, net	114,421	437,009
Operating profit	3,693,802	4,510,275
Finance income	87,729	57,278
Finance costs	(1,127,670)	(514,322)
Share of profit/(loss) of:		
- joint ventures	18,355	(10,793)
- associated entities	323,349	360,224
Profit before taxation	2,995,565	4,402,662

Note: Unallocated operating costs include mainly staff salaries, rent and rates, depreciation and other operating expenses.

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2015 RMB' 000	2014 RMB' 000
Total reportable segments' assets	110,504,416	88,908,928
Deferred tax assets	208,302	152,400
Taxation recoverable	783,447	562,089
Corporate assets	528,489	3,451,936
Total assets	112,024,654	93,075,353

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2015	2014	2015	2014
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Hong Kong	124,705	116,551	2,005,058	2,361,614
China	21,990,972	15,585,188	108,444,619	86,539,475
Overseas	—	—	54,739	7,839
	22,115,677	15,701,739	110,504,416	88,908,928
Unallocated assets			1,520,238	4,166,425
			112,024,654	93,075,353

As at 31 December 2015, total non-current assets other than financial instruments and deferred income tax assets located in China is RMB27,081 million (2014: RMB21,175 million), the total of these non-current assets located in Hong Kong is RMB1,013 million (2014: RMB990 million).

For the years ended 31 December 2015 and 2014, the Group does not have any single customer with the transaction value over 10% of the total external sales.

6 EXPENSES BY NATURE

Cost of sales, selling and marketing costs, and administrative expenses include the following:

	2015 RMB' 000	2014 RMB' 000
Advertising and promotion expenses	626,328	553,364
Business tax and other levies	1,341,179	993,342
Cost of properties sold included in cost of sales	15,409,565	9,917,073
Cost of inventories included in cost of sales	37,283	30,501
Direct operating expenses arising from investment properties		
- that generate rental income	107,659	106,868
- that did not generate rental income	324	322
Depreciation		
- Owned property, plant and equipment	47,148	62,147
- Leased property, plant and equipment	102	64
Amortisation of land use rights (note 18)	10,585	10,858
Operating leases - Land and buildings	66,465	85,459
Auditor's remuneration	5,996	6,500
Employee benefit expenses (note 13)	1,082,964	938,840
Provision for impairment of properties held for sale	251,000	—
Reversal of provision for impairment of property, plant and equipment (note 16)	—	(2,647)
Reversal of impairment of properties under development	—	(21,192)

7 OTHER GAINS, NET

	2015 RMB' 000	2014 RMB' 000
Gain on disposal of subsidiaries	—	449,414
Excess of the fair value of net assets of subsidiaries acquired over acquisition costs (note 19)	9,953	—
Gain on deemed disposal of associated entities	30,676	—
Excess of the fair value of net assets of a joint venture acquired over acquisition costs	2,163	—
Gain on disposal of available-for-sale financial assets	—	19,240
Gain on disposal of property, plant and equipment	49,618	—
Government subsidy	19,269	—
Fair value loss on derivative financial instruments	(12,969)	(34,646)
Others	15,711	3,001
	114,421	437,009

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCE INCOME

	2015 RMB' 000	2014 RMB' 000
Interest income from bank deposits	81,366	57,278
Fair value gain on top-up payment liability repayable within five years	6,363	—
	87,729	57,278

9 FINANCE COSTS

	2015 RMB' 000	2014 RMB' 000
Interest on bank borrowings and overdrafts wholly repayable within five years	1,232,323	1,138,546
Interest on bank borrowings wholly repayable over five years	284,289	109,772
Interest on borrowings from related companies wholly repayable within five years	29,647	65,970
Interest on other borrowings wholly repayable within five years	179,446	69,865
Interest on other borrowings wholly repayable over five years	134,687	148,995
Interest expense from top-up payment liability repayable within five years	—	6,711
Fair value loss on top-up payment liability repayable within five years	—	99,447
Net foreign exchange loss on financing activities	1,019,423	7,525
Total borrowing costs incurred	2,879,815	1,646,831
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note)	(1,752,145)	(1,132,509)
	1,127,670	514,322

Note: Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.15 percent per annum (2014: 5.54 percent per annum).

10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2014: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2014: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2014: 5 percent to 10 percent).

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the consolidated income statement comprises:

	2015 RMB' 000	2014 RMB' 000
Current taxation		
Hong Kong profits tax	3,429	5,769
Macau complementary income tax	9,760	—
China enterprise income tax	777,140	437,873
China land appreciation tax	932,284	1,681,596
Over-provision in prior years	(124)	(484)
Deferred taxation		
Origination and reversal of temporary difference	157,971	617,403
China land appreciation tax	(153,229)	(1,170,456)
Corporate withholding income tax on undistributed profits	113,790	214,457
	1,841,021	1,786,158

NOTES TO THE FINANCIAL STATEMENTS

10 TAXATION (Continued)

The taxation on the Group's profit before taxation less share of profits and losses of associated entities and joint ventures differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2015 RMB' 000	2014 RMB' 000
Profit before taxation less share of profits and losses of associated entities and joint ventures	2,653,861	4,053,231
Calculated at China enterprise income tax rate of 25 percent (2014: 25 percent)	663,465	1,013,308
Effect of different taxation rates	79,620	31,224
Income not subject to taxation	(43,163)	(37,614)
Expenses not deductible for taxation purposes	176,755	102,030
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	266,387	53,159
Over-provision in prior years	(124)	(484)
Effect of land appreciation tax deductible for calculation of income tax purposes	(194,764)	(136,693)
Corporate withholding income tax	113,790	214,457
	1,061,966	1,239,387
Land appreciation tax	779,055	546,771
Taxation charges	1,841,021	1,786,158

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to equity holders of the Company (RMB' 000)	1,012,889	2,471,255
Weighted average number of ordinary shares in issue ('000)	12,401,307	10,610,052
Basic earnings per share (RMB)	0.0817	0.2329

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the year ended 31 December 2015 and 2014, dilutive earning per share is equal to basic earnings per share.

12 DIVIDENDS

The dividends paid in 2015 was approximately RMB562 million (2014: RMB622 million). The directors proposed a final dividend of HK\$0.019 per ordinary share, totaling approximately RMB198 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 8 June 2016. These financial statements do not reflect this dividend payable.

	2015 RMB' 000	2014 RMB' 000
Interim, paid, of HK\$0.029 equivalent to RMB0.024 (2014: HK\$0.049 equivalent to RMB0.039) per ordinary share	294,648	362,418
Final, proposed, of HK\$0.019 equivalent to RMB0.016 (2014: HK\$0.027 equivalent to RMB0.022) per ordinary share	198,421	267,508
	493,069	629,926

13 EMPLOYEE BENEFIT EXPENSES

	2015 RMB' 000	2014 RMB' 000
Wages, salaries and bonus	837,240	714,274
Pension costs (defined contribution plans)	66,654	58,418
Medical benefits costs (defined contribution plans)	30,092	22,706
Social security costs	83,315	77,385
Termination benefits	572	666
Staff welfare	65,091	65,391
	1,082,964	938,840

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the ORSO Scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee's relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subjected to a cap of HK\$1,500 (before 1 Jun 2014: HK\$1,250) per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

NOTES TO THE FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSES (Continued)

Pension scheme arrangements (Continued)

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2015

Name of Director	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees RMB' 000	Salaries RMB' 000	Discretionary Bonuses (Note a(iv)) RMB' 000	Pension costs RMB' 000	Housing allowance RMB' 000	Estimated money value of other benefits (Note a(v)) RMB' 000	Remuneration paid or receivable in respect of accepting office as director RMB' 000		
ZHANG Zhaoxing	—	1,540	6,331	53	399	—	—	—	8,323
ZHU Chunxiu	—	1,540	3,973	58	467	—	—	—	6,038
Lin Zhaoyuan (Note a (i))	—	248	1,044	—	34	—	—	—	1,326
LI Feng	—	1,490	1,631	92	110	—	—	—	3,323
OU Junming	—	1,490	1,631	92	111	—	—	—	3,324
OU Shao (Note a (i))	—	223	619	73	—	21	—	—	936
TANG Shouchun (Note a (ii))	—	787	1,846	44	—	—	—	—	2,677
CHEN Zhihong (Note a (ii))	—	1,175	5,204	80	—	98	—	—	6,557
YU Lup Fat Joseph	300	—	—	—	—	—	—	—	300
LEE Ka Lun	236	—	—	—	—	—	—	—	236
LAU Hon Chuen Ambrose	236	—	—	—	—	—	—	—	236
Total	772	8,493	22,279	492	1,121	119	—	—	33,276

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

31 December 2014 (Restated)

Emoluments paid or received in respect of a person's services as a director,
whether of the Company or its subsidiary undertaking

Name of Director	Fees RMB' 000	Salaries RMB' 000	Discretionary Bonuses (Note a(iv)) RMB' 000	Pension costs RMB' 000	Housing allowance RMB' 000	Estimated money value of other benefits (Note a(v)) RMB' 000	Remuneration paid or receivable in respect of accepting office as director RMB' 000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB' 000	Total RMB' 000
ZHU Chunxiu	—	1,540	2,886	43	834	—	—	—	5,303
LI Feng (Note a (iii))	—	918	2,186	54	139	—	—	—	3,297
OU Junming (Note a (iii))	—	918	2,186	54	174	—	—	—	3,332
TANG Shouchun	—	1,224	1,841	93	139	—	—	—	3,297
CHEN Zhihong	—	1,410	6,140	72	—	120	—	—	7,742
YU Lup Fat Joseph	230	—	—	—	—	—	—	—	230
LEE Ka Lun	230	—	—	—	—	—	—	—	230
LAU Hon Chuen Ambrose	230	—	—	—	—	—	—	—	230
Total	690	7,550	22,767	420	1,672	120	—	—	33,219

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap622).

Notes:

- (i) Appointed on 10 November 2015
- (ii) Resigned on 10 November 2015
- (iii) Appointed on 21 March 2014.
- (iv) Discretionary bonuses are determined by the Group's financial performance.
- (v) Other benefits may include staff quarter.

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the years ended 31 December 2015 and 2014. No emoluments were paid or payable by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2015 and 2014 are also directors whose emoluments are reflected in the analysis presented in note 14.

16 PROPERTY, PLANT AND EQUIPMENT

	Land RMB' 000 (note)	Buildings RMB' 000	Construction in progress RMB' 000	Leasehold improvements, furniture, fixtures and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
At 1 January 2014						
Cost	408,419	520,618	447,935	128,102	85,142	1,590,216
Accumulated depreciation and impairment	(163,004)	(261,946)	—	(82,057)	(60,130)	(567,137)
Net book amount	245,415	258,672	447,935	46,045	25,012	1,023,079
Year ended 31 December 2014						
Opening net book amount	245,415	258,672	447,935	46,045	25,012	1,023,079
Exchange differences	926	325	—	(307)	1	945
Additions	—	4,273	304,664	12,860	1,457	323,254
Disposals	—	(557)	—	(235)	(599)	(1,391)
Depreciation	(18,816)	(23,157)	—	(13,412)	(6,826)	(62,211)
Reversal of impairment	—	2,647	—	—	—	2,647
Closing net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323
At 31 December 2014						
Cost	409,660	526,938	752,599	139,038	83,556	1,911,791
Accumulated depreciation and impairment	(182,135)	(284,735)	—	(94,087)	(64,511)	(625,468)
Net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land RMB' 000 (note)	Buildings RMB' 000	Construction in progress RMB' 000	Leasehold improvements, furniture, fixtures and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
Year ended 31 December 2015						
Opening net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323
Exchange differences	13,990	2,481	—	746	5	17,222
Additions	—	4,318	148,248	13,462	1,337	167,365
Disposals	—	(3,913)	—	(616)	(3,285)	(7,814)
Depreciation	(5,694)	(20,029)	—	(15,065)	(6,462)	(47,250)
Transfer from investment properties (Note 17)	—	83,548	—	—	—	83,548
Transfer to non-current assets held-for-sale (Note 30)	—	(36,587)	—	—	—	(36,587)
Closing net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807
At 31 December 2015						
Cost	435,251	576,271	900,847	150,433	78,685	2,141,487
Accumulated depreciation and impairment	(199,430)	(304,250)	—	(106,955)	(68,045)	(678,680)
Net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807

Note: All the land of the Group are located in Hong Kong with lease terms under 50 years.

Property, plant and equipment of the Group with an aggregate carrying amount of RMB627 million (2014: RMB883 million) were pledged as collateral for the Group's bank borrowings (note 42).

17 INVESTMENT PROPERTIES

	Completed investment properties		Investment properties under development	Total RMB' 000
	China	Hong Kong	China	
	RMB' 000	RMB' 000	RMB' 000	
Opening balance at 1 January 2015	6,877,110	686,229	5,051,000	12,614,339
Exchange differences	—	39,294	—	39,294
Additions	1,153,873	—	184,062	1,337,935
Disposals	(113,741)	(65,465)	—	(179,206)
Transfer	3,925,000	—	(3,925,000)	—
Transfer to property, plant and equipment (note 16)	(83,548)	—	—	(83,548)
Fair value gains, net (note)	388,006	30,837	20,938	439,781
Closing balance at 31 December 2015	12,146,700	690,895	1,331,000	14,168,595

	Completed investment properties		Investment properties under development	Total RMB' 000
	China	Hong Kong	China	
	RMB' 000	RMB' 000	RMB' 000	
Opening balance at 1 January 2014	7,076,920	640,455	2,502,000	10,219,375
Exchange differences	—	(331)	—	(331)
Additions	6,874	—	125,466	132,340
Disposals	(45,777)	—	—	(45,777)
Transfer from properties under development	—	—	2,492,136	2,492,136
Transfer to properties under development	—	—	(1,588,000)	(1,588,000)
Fair value gains (Note)	(160,907)	46,105	1,519,398	1,404,596
Closing balance at 31 December 2014	6,877,110	686,229	5,051,000	12,614,339

Note: The fair value gains of approximately RMB440 million (2014: RMB1,405 million) are included in profit or loss that are attributable to unrealised gains or loss for assets held at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Greater China Appraisals Limited (“GCAL”), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2015. For all investment properties, their current use equates to the highest and best use.

The Group’s finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee (“AC”). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six months, in line with the Group’s interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant other observable inputs

Fair values of completed investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers’ interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of investment properties under development in China are generally derived using the residual method. This valuation method is essentially a means of valuing the investment property under construction 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 as at the date of valuation.

There were no changes to the valuation techniques during the year.

As at 31 December 2015, all investment properties are included in level 3 fair value hierarchy.

17 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

Description	Fair value at 31 December 2015	Valuation technique	Unobservable inputs		Range of unobservable inputs	
	RMB' 000		(1)	(2)	(1)	(2)
Investment properties under construction in the PRC	1,331,000	Residual method	(1)	Market prices	(1)	RMB8,800/sm to RMB32,000/sm
			(2)	Developer's profit	(2)	RMB36,000,000 to RMB118,000,000
			(3)	Risk margin	(3)	4.35%
Completed investment properties in PRC	12,146,700	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	RMB20/sm/mth to RMB760/sm/mth
			(2)	Capitalization rate	(2)	4.5% to 11.5%
			(3)	Discount rate	(3)	13.0%
Completed investment properties in Hong Kong	690,895	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	HK\$6/sf/mth to HK\$300/sf/mth
			(2)	Capitalization rate	(2)	3.7% to 4.5%
			(3)	Discount rate	(3)	9.0%

Description	Fair value at 31 December 2014	Valuation technique	Unobservable inputs		Range of unobservable inputs	
	RMB' 000		(1)	(2)	(1)	(2)
Investment properties under construction in the PRC	5,051,000	Residual method	(1)	Market prices	(1)	RMB9,600/sm to RMB35,000/sm
			(2)	Developer's profit	(2)	RMB60,000,000 to RMB492,000,000
			(3)	Risk margin	(3)	5.6% to 6.0%
Completed investment properties in PRC	6,877,110	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	RMB20/sm/mth to RMB680/sm/mth
			(2)	Capitalization rate	(2)	8.0% to 11.5%
			(3)	Discount rate	(3)	13.0%
Completed investment properties in Hong Kong	686,229	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	HK\$6/sf/mth to HK\$300/sf/mth
			(2)	Capitalization rate	(2)	3.7% to 4.5%
			(3)	Discount rate	(3)	9.0%

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value (Continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

Capitalisation and discount rates are estimated by GCAL based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

The estimate costs are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

As at 31 December 2015, investment properties with an aggregate net book amount of RMB5,538 million (2014: RMB10,682 million) were pledged as collateral for the Group's bank borrowings (note 42).

The Group's interests in investment properties at their net book values are analysed as follows:

	2015 RMB' 000	2014 RMB' 000
In Hong Kong:		
Leases of between 10 to 50 years	690,895	686,229
Outside Hong Kong (note):		
Leases of between 10 to 50 years	13,477,700	11,928,110
	14,168,595	12,614,339

Note: Properties outside Hong Kong comprise properties located in China.

18 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015 RMB' 000	2014 RMB' 000
Beginning of the year	255,043	265,901
Amortisation	(10,585)	(10,858)
End of the year	244,458	255,043

18 LAND USE RIGHTS (Continued)

	2015 RMB' 000	2014 RMB' 000
Analysed as:		
Non-current, in China	244,458	255,043

The Group's land use rights at their net book values are analysed as follows:

	2015 RMB' 000	2014 RMB' 000
In China:		
Land use rights of between 10 to 50 years	244,458	255,043

Land use rights with an aggregate net book amount of approximately RMB7 million (2014: RMB18 million) as at 31 December 2015 were pledged as collateral for the Group's bank borrowings (note 42).

19 BUSINESS COMBINATION

- (a) On 29 December 2014, the Group entered into an agreement with 廣州越秀諾成實投資合夥企業 (Guangzhou Yuexiu Nuocheng Business Investment Enterprise (Limited Partnership)), an associated entity of the ultimate holding company to the Group, whereby the Group has conditionally agreed to acquire 80% of the equity interest in 佛山市禪城區越輝房地產開發有限公司 (Foshan Chancheng Yuehui Property Development Co., Ltd) (the "acquiree"), at a cash consideration of approximately RMB545 million. This transaction was completed on 20 May 2015 (the "completion date").

Details of the net assets acquired and the excess of the fair value of net assets of a subsidiary acquired are as follows:

	RMB' 000
Cash purchase consideration paid (note)	544,912
Fair value of net identifiable assets acquired (see below)	(550,971)
Excess of the fair value of net assets of a subsidiary acquired	(6,059)

Note:

The consideration paid is denominated in RMB, amounting to approximately RMB544,912,000.

NOTES TO THE FINANCIAL STATEMENTS

19 BUSINESS COMBINATION (Continued)

(a) (Continued)

Recognised amounts of identifiable net assets acquired were as follows:

	RMB' 000
Property under development	1,872,000
Cash and cash equivalents	42,059
Other assets	19,451
Trade payables and accrued charges	(270,407)
Borrowings	(1,067,200)
Deferred income tax liabilities	(44,932)
Net identifiable assets attributable to 80% equity interest acquired by the Group	<u>550,971</u>

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary

	RMB' 000
Cash paid	544,912
Cash and bank balances acquired	(52,574)
	<u>492,338</u>

No revenue was included in the consolidated income statement since the completion date contributed by the acquiree.

Had the acquiree been consolidated from 1 January 2015, no revenue or profit was included in the consolidated income statement of the Group.

- (b) On 31 August 2015, the Group entered into an agreement with 深圳市越秀鵬程房地產投資合夥企業 (有限合夥) Shenzhen Yuexiu Pengcheng Real Estate Investment Partnership (Limited Partnership)), an associated entity of the ultimate holding company to the Group, whereby the Group has conditionally agreed to acquire 80% of the equity interest in 杭州越輝房地產開發有限公司 (Hangzhou Yuehui Real Estate Development Co., Ltd.) (the "acquiree"), at a cash consideration of approximately RMB195 million. This transaction was completed on 1 October 2015 (the "completion date").

Details of the net assets acquired and the excess of the fair value of net assets of a subsidiary acquired are as follows:

	RMB' 000
Cash purchase consideration paid (note)	194,846
Fair value of net identifiable assets acquired (see below)	(196,794)
Excess of the fair value of net assets of a subsidiary acquired	<u>(1,948)</u>

Note:

The consideration paid is denominated in RMB, amounting to approximately RMB194,846,000.

19 BUSINESS COMBINATION (Continued)

(b) (Continued)

Recognised amounts of identifiable net assets acquired were as follows:

	RMB' 000
Property under development	603,440
Cash and cash equivalents	16,205
Other assets	440
Trade payables and accrued charges	(423,291)
Net identifiable assets attributable to 80% equity interest acquired by the Group	<u>196,794</u>

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary

	RMB' 000
Cash paid	194,846
Cash and bank balances acquired	(20,256)
	<u>174,590</u>

No revenue was included in the consolidated income statement since the completion date contributed by the acquiree.

Had the acquiree been consolidated from 1 January 2015, no revenue or profit was be included in the consolidated income statement of the Group.

- (c) On 31 August 2015, the Group entered into an agreement with 廣州越秀仁達二號實業投資合夥企業 (有限合夥) (Guangzhou Yuexiu Ren Da No. 2 Business Investment Enterprise (Limited Partnership)), an associated entity of the ultimate holding company to the Group, whereby the Group has conditionally agreed to acquire 90% of the equity interest in 杭州越港實業投資有限公司 (Hangzhou Yuegang Business Investment Co., Ltd.) (the "acquiree"), at a cash consideration of approximately RMB373 million. This transaction was completed on 1 October 2015 (the "completion date").

Details of the net assets acquired and the excess of the fair value of net assets of a subsidiary acquired are as follows:

	RMB' 000
Cash purchase consideration paid (note)	372,739
Fair value of net identifiable assets acquired (see below)	(374,685)
Excess of the fair value of net assets of a subsidiary acquired	<u>(1,946)</u>

Note:

The consideration paid is denominated in RMB, amounting to approximately RMB372,739,000.

NOTES TO THE FINANCIAL STATEMENTS

19 BUSINESS COMBINATION (Continued)

(c) (Continued)

Recognised amounts of identifiable net assets acquired were as follows:

	RMB'000
Property under development	1,137,150
Cash and cash equivalents	156,573
Other assets	74,001
Trade payables and accrued charges	(993,039)
Net identifiable assets attributable to 90% equity interest acquired by the Group	<u>374,685</u>

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary

	RMB'000
Cash paid	372,739
Cash and bank balances acquired	(173,970)
	<u>198,769</u>

No revenue was included in the consolidated income statement since the completion date contributed by the acquiree.

Had the acquiree been consolidated from 1 January 2015, no revenue or profit was be included in the consolidated income statement of the Group.

20 GAINS ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB285 million (2014:RMB72 million) resulting in a total net gain of approximately RMB94 million (2014: RMB23 million).

21 INTERESTS IN JOINT VENTURES

	2015 RMB' 000	2014 RMB' 000
Investments in joint ventures		
At 1 January	496,492	507,285
Addition	1,123,941	—
Excess of the fair value of net assets of a joint venture acquired over acquisition costs	2,163	—
Share of profit/(loss)	18,355	(10,793)
At 31 December 2015	1,640,951	496,492
Amounts due from joint ventures (note 43(c))	3,494,690	792,310
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	3,493,691	791,311
Total	5,134,642	1,287,803

The joint ventures held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the joint ventures are private companies with no quoted market price available for its shares.

Details of the Group's joint ventures as at 31 December 2015 are set out on page 176.

Set out below are the aggregate summarised financial information for the Group's interests in joint ventures which are accounted for using the equity method.

	2015 RMB' 000	2014 RMB' 000
Assets		
Non-current assets	106,635	27,754
Current assets	6,310,450	1,650,220
	6,417,085	1,677,974
Liabilities		
Non-current liabilities	(231,864)	(164,464)
Current liabilities	(4,544,270)	(1,017,018)
	(4,776,134)	(1,181,482)
Net assets	1,640,951	496,492
Revenue	109,639	—
Expenses	(85,458)	(10,835)
Profit/(loss) before taxation	24,181	(10,835)
Taxation	(5,826)	42
Profit/(loss) for the year	18,355	(10,793)

Certain cash and cash equivalents are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

NOTES TO THE FINANCIAL STATEMENTS

21 INTERESTS IN JOINT VENTURES (Continued)

The Group's joint ventures did not have any significant capital commitments as at 31 December 2015 (2014: nil).

There are no contingent liabilities relating to the Group's interests in the joint ventures.

22 INTERESTS IN ASSOCIATED ENTITIES

	2015 RMB' 000	2014 RMB' 000
Share of net assets	4,502,027	4,364,545
Deferred units (note)	2,129,581	2,129,581
Amounts due from associated entities (note 43(c))	451,712	227,198
Interests in associated entities	7,083,320	6,721,324

Note: In connection with the disposal of Tower Top Development Limited ("Tower Top") to Yuexiu REIT, the Group will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2016. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Group which will not trigger an obligation on the part of the Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Group at the relevant time.

Deferred units are part of the consideration of the business acquisition. The number of units to be issued to the Group was fixed at disposal date and is not subject to change across time. It is in substance the prepaid forward contract to deliver a fixed number of units for which the consideration has been received in advance. There is no cash option or derivatives elements in the deferred unit arrangement. This is a contractual arrangement to physically issue the units in accordance with the issuing schedule and no redemption option. The deferred units, once issued, will make the voting right/dividend right of the Group on Yuexiu REIT effective.

Yuexiu REIT is accounted for as an associated entity since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company. The Group has no equity interest in and/or control over the independent trustee. In addition, as the Group does not have any power to appoint the directors of the asset management company of Yuexiu REIT, the Group does not control the Manager of Yuexiu REIT. Accordingly, the Group also does not control Yuexiu REIT.

The aggregate summarised financial information for the Group's interests in its associated entities are as follows:

	2015 RMB' 000	2014 RMB' 000
Revenue	798,569	734,071
Profit after tax	323,349	360,224
Assets	13,115,831	10,964,539
Liabilities	(8,613,804)	(6,599,994)
Net assets	4,502,027	4,364,545

Details of the Group's associated entities as at 31 December 2015 are set out on page 176.

22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

All the interests in associated entities held by the Group are unlisted except for an investment in a material associated entity, Yuexiu REIT with a carrying value of approximately RMB4,061 million (2014: RMB3,926 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB3,658 million (2014: RMB3,132 million). Set out below is the summarised financial information for the Group's material associated entity which is accounted for using the equity method.

	2015 RMB' 000	2014 RMB' 000
Non-current assets	28,178,385	23,700,045
Cash and cash equivalents	682,596	986,300
Other current assets (excluding cash and cash equivalents)	474,071	676,259
Total assets	29,335,052	25,362,604
Non-current liabilities, other than net assets attributable to unitholders	(11,935,916)	(10,555,845)
Current liabilities	(3,906,020)	(1,578,105)
Total liabilities, other than net assets attributable to unitholders	(15,841,936)	(12,133,950)
Net assets attributable to unitholders	(13,400,472)	(13,141,954)
Total liabilities	(29,242,408)	(25,275,904)
Net assets	92,644	86,700
Revenue	1,709,645	1,571,168
Depreciation and amortisation	(151,800)	(148,144)
Finance income	44,963	165,497
Finance expenses	(793,232)	(381,203)
Profit before income tax	1,000,716	1,105,243
Income tax expense	(260,033)	(177,276)
Post-tax profit before transactions with unitholders	740,683	927,967
Transactions with unitholders	(838,171)	(1,014,632)
Loss after income tax after transactions with unitholders	(97,488)	(86,665)
Other comprehensive income	103,432	90,065
Total comprehensive income	5,944	3,400
Dividends received	(256,551)	(233,822)

NOTES TO THE FINANCIAL STATEMENTS

22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in a material associated entity as follows:

	2015 RMB' 000	2014 RMB' 000
Net assets attributable to unitholders as at 1 January	13,141,954	12,669,468
Issuance of units	100,754	101,786
Transactions with unitholders	838,171	1,014,632
Distributions paid to unitholders	(680,407)	(643,932)
Net assets at 31 December	13,400,472	13,141,954
Net assets attributable to deferred unitholder	(2,129,581)	(2,129,581)
Net assets attributable to unitholders	11,270,891	11,012,373
Interest in associated entity	37.10%	36.45%
Carrying value	4,061,422	3,925,710

Cash and cash equivalents of approximately RMB572 million are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's associated entities have capital commitments of RMB46 million as at 31 December 2015 (2014: RMB56 million).

Certain subsidiaries of the Group jointly and severally provided a guarantee in respect of a syndicated loan borrowed by Yuexiu REIT amounting to approximately RMB2,360 million (2014: RMB3,290 million) with an effective period expiring on the date two years after full repayment of the syndicated loan.

The interests in an associated entity of the Company represent interests in Yuexiu REIT Asset Management Limited.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB' 000	2014 RMB' 000
Beginning of the year	929,622	842,226
Disposals	—	(5,200)
Increase in fair value recognised in other comprehensive income	59,253	92,596
End of the year	988,875	929,622

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The fair value of the common shares held is derived using the Guideline Public Company Method approach. In applying this approach the Group has selected comparable public company peers in the same or a similar industry to provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry, and conclude that by applying an appropriate valuation multiple that is a relevant performance measure for its investments.

Valuation multiples are derived from the reported earnings and the period end stock price of companies in the peer group. In applying the valuation multiples, the Price-to-Earnings multiple and Price-to-Book Value multiple have been concluded to be the relevant performance measures for its investments. The Group also adjusts the indicated fair value to give the effect of the discount for lack of marketability compared to the publicly traded peer group when it determines that the market participants would take this into account when pricing the investment. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement of equity securities. The Group determines 40% discount for lack of marketability as the significant unobservable inputs.

If the discount for lack of marketability would be changed to +0.5% or -0.5%, the fair value of the investment and other comprehensive income would decrease or increase by approximately RMB8 million (2014: RMB8 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB' 000	2014 RMB' 000
Call options	27	12,996

The Group made investments in several associated entities and a joint venture. These associated entities and the joint venture invest indirectly in certain parcels of land acquired in China through the establishment of project companies.

According to the terms of the cooperation agreements entered into by the Group and the other investors of the associated entities and the joint venture (the "Other Parties"), the Group was granted call options by the Other Parties to acquire all the equity interests of all the respective project companies with agreed considerations. The call options are exercisable within the periods as stipulated within each cooperation agreement, at exercise prices that are equivalent to the total capital contributions made by the Other Parties in the project companies plus a rate of return not exceeding 12% per annum.

The call options are classified as derivative financial instruments and are carried at fair value. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value for each project company, based on schedules provided by management of the Group, follow the Geometric Brownian motion and both the Group and the Other Parties have a right, but not an obligation to develop the corresponding land parcel.

NOTES TO THE FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The model uses the following inputs: gross development value, time to maturity, interest rate and expected volatility.

Significant unobservable input used in the measurement of the call option as at 31 December 2015 are as follows:

	Impact of change	
	Increase 0.5% RMB' 000	Decrease 0.5% RMB' 000
Expected volatility	784	(27)

The expected volatility of the call option is 1.91%. A higher volatility will increase the value of the call option.

The maximum exposure to credit risk is the carrying amounts of the derivative financial assets. The total gain for the year is included in the consolidated income statement under "other gains, net".

25 PROPERTIES UNDER DEVELOPMENT

	2015 RMB' 000	2014 RMB' 000
Properties under development	40,171,217	34,134,730

Properties under development are mainly located in China.

As at 31 December 2015, the Group's properties under development of approximately RMB29,775 million (2014: RMB23,764 million) were pledged as collateral for the Group's bank borrowings (note 42).

26 PROPERTIES HELD FOR SALE

	2015 RMB' 000	2014 RMB' 000
Properties held for sale	12,754,963	11,330,156

Properties held for sale are mainly located in China.

As at 31 December 2015, the Group's properties held for sale of approximately RMB338 million (2014: RMB344 million) were pledged as collateral for the Group's bank borrowings (note 42).

A provision for impairment of RMB251 million (2014: nil) is recognised as expense and included in "cost of sales".

27 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2015 RMB' 000	2014 RMB' 000
Not later than one year	33,508	71,766
Later than one year and not later than five years	48,136	30,707
	81,644	102,473

28 INVENTORIES

	2015 RMB' 000	2014 RMB' 000
Work-in-progress	33,231	28,331
Finished goods	2,830	2,814
	36,061	31,145

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB37 million (2014: RMB31 million).

29 TRADE RECEIVABLES

	2015 RMB' 000	2014 RMB' 000
Trade receivables	41,751	33,726
Less: provision for impairment of trade receivables	(9,286)	(9,286)
	32,465	24,440

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2015 and 2014, the ageing analysis of the trade receivables from the invoice date is as follows:

	2015 RMB' 000	2014 RMB' 000
0 - 30 days	16,703	11,305
31 - 90 days	3,279	2,026
181 - 365 days	1,375	875
Over 1 year	20,394	19,520
	41,751	33,726

NOTES TO THE FINANCIAL STATEMENTS

29 TRADE RECEIVABLES (Continued)

As at 31 December 2015, trade receivables of approximately RMB20 million (2014: RMB13 million) were fully performing.

As at 31 December 2015, trade receivables of approximately RMB12 million (2014: RMB11 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	2015 RMB' 000	2014 RMB' 000
Over 3 months	12,483	11,109

As at 31 December 2015, trade receivables of approximately RMB9 million (2014: RMB9 million) were impaired. The amount of the provision was approximately RMB9 million as at 31 December 2015 (2014: RMB9 million). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	2015 RMB' 000	2014 RMB' 000
Over 1 year	9,286	9,286

Movements in the provision for impairment of trade receivables are as follows:

	2015 RMB' 000	2014 RMB' 000
Beginning of the year	9,286	9,286
Receivables written-off during the year as uncollectable	—	—
End of the year	9,286	9,286

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The Group's trade receivables are denominated in RMB.

30 NON-CURRENT ASSETS HELD-FOR-SALE

In June 2015, the Group signed a sales and purchase agreement to dispose of a hotel in Guangzhou. The transaction is expected to be completed in 2016.

31 CHARGED BANK DEPOSITS

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.
- (b) Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group (note 42).

32 CASH AND CASH EQUIVALENTS

	2015 RMB' 000	2014 RMB' 000
Cash at bank	9,540,991	7,646,938
Short-term bank deposits	4,557	235,710
	9,545,548	7,882,648

Cash and cash equivalents are denominated in the following currencies:

	2015 RMB' 000	2014 RMB' 000
HKD	569,699	577,795
RMB	8,863,117	7,253,885
USD	106,243	44,631
Others	6,489	6,337
	9,545,548	7,882,648

The Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The average effective interest rate on short-term bank deposits was 0.29 percent (2014: 0.28 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

33 TRADE AND NOTE PAYABLES

	2015 RMB' 000	2014 RMB' 000
Trade payables	55,098	46,906
Note payables	70,007	139,078
	125,105	185,984

The fair values of trade and note payables approximate their carrying amounts.

The ageing analysis of the trade and note payables is as follows:

	2015 RMB' 000	2014 RMB' 000
0 - 30 days	54,655	96,208
31 - 90 days	60,510	70,189
91 - 180 days	2,265	10,829
181 - 365 days	3,979	4,868
1 - 2 years	231	296
Over 2 years	3,465	3,594
	125,105	185,984

Majority of the Group's trade and note payables are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES

	2015 RMB' 000	2014 RMB' 000
Accrual for construction related costs	9,115,961	8,025,767
Accrued employee benefits costs	281,532	219,212
Amounts due to related parties	6,916,772	1,219,217
Top-up payment liability (note)	118,234	197,208
Other payables	3,976,828	1,405,031
	20,409,327	11,066,435

	2015 RMB' 000	2014 RMB' 000
Current liabilities	20,374,641	10,950,353
Non-current liabilities	34,686	116,082
	20,409,327	11,066,435

Majority of the Group's other payables and accrued charges are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES (Continued)

Note:

In connection with the disposal of Guangzhou IFC, the Group agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of the hotel and serviced apartments.

Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate of 4.2% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income". The carrying amount approximates its fair value.

35 BORROWINGS

	2015 RMB' 000	2014 RMB' 000
Non-current		
Long-term bank borrowings		
– Secured	11,772,953	8,351,884
– Unsecured	13,002,332	8,357,288
Other borrowings, unsecured	7,877,747	6,935,042
Obligations under finance leases	114	66
	32,653,146	23,644,280
Current		
Bank overdrafts	63	72
Short-term bank borrowings		
– Secured	—	1,000,000
– Unsecured	736,446	2,990,834
Current portion of long-term bank borrowings		
– Secured	1,338,550	4,062,049
– Unsecured	3,436,667	362,066
Obligations under finance leases	69	72
	5,511,795	8,415,093
Total borrowings	38,164,941	32,059,373

NOTES TO THE FINANCIAL STATEMENTS

35 BORROWINGS (Continued)

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2015 RMB' 000	2014 RMB' 000	2015 RMB' 000	2014 RMB' 000
Within one year	5,511,726	8,415,021	69	72
In the second year	14,189,406	7,195,952	500,052	38
In the third to fifth year	8,820,879	8,500,720	2,258,212	2,121,830
Over five years	1,765,000	1,012,500	5,119,597	4,813,240
	30,287,011	25,124,193	7,877,930	6,935,180

The effective interest rates at the balance sheet date were as follows:

	2015			2014		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	3.45%	6.55%	2.52%	3.53%	6.9%	2.86%
Other borrowings	6.20%	6.19%	4.19%	6.19%	—	4.11%
Bank overdrafts	6.60%	—	—	6.15%	—	—

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 RMB' 000	2014 RMB' 000
HKD	13,324,487	12,240,593
RMB	17,775,292	13,787,880
USD	7,065,162	6,030,900
	38,164,941	32,059,373

The fair values of borrowings approximate their carrying amounts.

36 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (' 000)	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At 1 January 2014	9,322,031	854,089	8,891,760	9,745,849
Issue of shares upon exercise of share options prior to 3 March 2014	251	20	101	121
Transfer upon exercise of share options prior to 3 March 2014	—	—	29	29
Transfer to no par value regime on 3 March 2014 (Note (a))	—	8,893,589	(8,891,890)	1,699
Issue of shares upon exercise of share options subsequent to 3 March 2014	2,009	965	—	965
Transfer upon exercise of share options subsequent to 3 March 2014	—	235	—	235
Issue of shares upon rights issue (Note (b))	3,077,016	3,010,504	—	3,010,504
At 31 December 2014	12,401,307	12,759,402	—	12,759,402
	Number of shares (' 000)	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At 31 December 2015	12,401,307	12,759,402	—	12,759,402

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(b) During the year ended 31 December 2014, 3,077,015,931 new shares were issued and allotted under the rights issue at the subscription price of HK\$1.25 each on the basis of 33 rights shares for every 100 shares held on 25 September 2014.

NOTES TO THE FINANCIAL STATEMENTS

37 RESERVES

	Statutory reserves (note (a)) RMB' 000	Exchange fluctuation reserve RMB' 000	Available-for-sale financial assets fair value reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
At 1 January 2015	198,061	(284,057)	550,588	15,879,981	16,344,573
Currency translation differences	—	24,839	—	—	24,839
Change in fair value of available-for-sale financial assets					
– gross	—	—	56,290	—	56,290
– tax	—	—	(14,073)	—	(14,073)
– effect of withholding tax	—	—	(3,588)	—	(3,588)
Profit attributable to shareholders	—	—	—	1,012,889	1,012,889
Transfer	14,495	—	—	(14,495)	—
Dividends paid	—	—	—	(562,156)	(562,156)
At 31 December 2015	212,556	(259,218)	589,217	16,316,219	16,858,774
Representing:					
2015 final dividend proposed				198,421	
Others				16,117,798	
				<u>16,316,219</u>	

37 RESERVES (Continued)

	Capital redemption reserve RMB' 000	Statutory reserves (note (a)) RMB' 000	Exchange fluctuation reserve RMB' 000	Available- for- sale financial assets fair value reserve RMB' 000	Employee share- based compensation reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
At 1 January 2014	1,699	197,567	(291,123)	490,222	60	14,030,931	14,429,356
Currency translation differences	—	—	7,066	—	—	—	7,066
Change in fair value of available-for-sale financial assets							
– gross	—	—	—	87,965	—	—	87,965
– tax	—	—	—	(21,991)	—	—	(21,991)
– effect of withholding tax	—	—	—	(5,608)	—	—	(5,608)
Profit attributable to shareholders	—	—	—	—	—	2,471,255	2,471,255
Transfer	—	494	—	—	239	(733)	—
Transfer upon exercise of share options prior to 3 March 2014	—	—	—	—	(29)	—	(29)
Transfer upon exercise of share options subsequent to 3 March 2014	—	—	—	—	(235)	—	(235)
Transfer upon lapse of share options	—	—	—	—	(35)	35	—
Dividends paid	—	—	—	—	—	(621,507)	(621,507)
Transition to no-par value regime on 3 March 2014	(1,699)	—	—	—	—	—	(1,699)
At 31 December 2014	—	198,061	(284,057)	550,588	—	15,879,981	16,344,573
Representing:							
2014 final dividend proposed						267,508	
Others						15,612,473	
						15,879,981	

Note:

- (a) Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, joint ventures and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, joint ventures and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

NOTES TO THE FINANCIAL STATEMENTS

38 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred tax assets and liabilities are expected to be recovered after more than 12 months.

The movements in the deferred tax liabilities account are as follows:

	2015 RMB' 000	2014 RMB' 000
Beginning of the year	4,887,261	5,237,028
Charged/(credited) during the year	118,532	(338,596)
Acquisition of a subsidiary	44,932	—
Disposal of subsidiaries	—	(39,216)
Deferred taxation charged to equity	18,402	28,757
Exchange differences	(1,907)	(712)
End of the year	5,067,220	4,887,261

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Different bases in reporting expenses with tax authorities RMB' 000	Provision for impairment of properties RMB' 000	Tax losses RMB' 000	Others RMB' 000	Total RMB' 000
At 1 January 2015	105,556	18,608	27,208	1,021	152,393
Exchange differences (Charged)/credited to profit or loss during the year	342	—	—	—	342
	(83,705)	—	139,356	—	55,651
At 31 December 2015	22,193	18,608	166,564	1,021	208,386
At 1 January 2014	255,950	18,608	34,481	1,021	310,060
Exchange differences	71	—	—	—	71
Charged to profit or loss during the year	(150,465)	—	(7,273)	—	(157,738)
At 31 December 2014	105,556	18,608	27,208	1,021	152,393

38 DEFERRED TAXATION (Continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Revaluation of properties RMB' 000	Accelerated depreciation RMB' 000	Revaluation of investments RMB' 000	Different bases in reporting revenue with tax authorities RMB' 000	Others RMB' 000	Undistributed profits of subsidiaries, joint ventures and associated entities RMB' 000	Total RMB' 000
At 1 January 2015	3,316,997	68,658	213,025	514,759	12,688	913,527	5,039,654
Exchange differences	(1,765)	200	—	—	—	—	(1,565)
Charged/(credited) to profit or loss during the year	208,377	8,487	—	(153,229)	(3,242)	113,790	174,183
Credited to reserves	—	—	14,814	—	—	3,588	18,402
Acquisition of a subsidiary	—	—	—	44,932	—	—	44,932
At 31 December 2015	3,523,609	77,345	227,839	406,462	9,446	1,030,905	5,275,606
At 1 January 2014	2,845,544	70,668	189,876	1,724,431	23,107	693,462	5,547,088
Exchange differences	(637)	(4)	—	—	—	—	(641)
Charged/(credited) to profit or loss during the year	472,090	(2,006)	—	(1,170,456)	(10,419)	214,457	(496,334)
Credited to reserves	—	—	23,149	—	—	5,608	28,757
Disposal of subsidiaries	—	—	—	(39,216)	—	—	(39,216)
At 31 December 2014	3,316,997	68,658	213,025	514,759	12,688	913,527	5,039,654

NOTES TO THE FINANCIAL STATEMENTS

38 DEFERRED TAXATION (Continued)

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 the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2015 RMB' 000	2014 RMB' 000
Deferred tax assets		
– Hong Kong profits tax	—	1,530
– China enterprise income tax	208,302	150,870
	208,302	152,400
Deferred tax liabilities		
– Hong Kong profits tax	36,337	25,224
– China enterprise income tax	3,378,947	2,991,944
– China land appreciation tax	1,860,238	2,022,493
	5,275,522	5,039,661

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2015, the Group had unrecognised deferred tax benefits of approximately RMB 255 million (2014: RMB261 million) in respect of tax losses of approximately RMB 1,020 million (2014: RMB1,509 million). Tax losses amounting to RMB 132 million (2014: RMB138 million) will expire at various dates up to and including 2020 (2014: 2019). The remaining tax losses have no expiry date.

39 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2015, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2015 RMB' 000	2014 RMB' 000
Not later than one year	471,480	373,312
Later than one year and not later than five years	1,318,172	923,873
Later than five years	177,065	136,914
	1,966,717	1,434,099

40 CAPITAL COMMITMENTS

	2015 RMB' 000	2014 RMB' 000
Capital commitments in respect of property, plant and equipment and properties under development:		
Contracted but not provided for	659,873	633,313
Authorised but not contracted for	1,358,728	1,051,126
	2,018,601	1,684,439

At 31 December 2015, the Group had financial commitments of RMB640 million in respect of acquisition of an associated entity (2014: RMB545 million).

41 GUARANTEES

	2015 RMB' 000	2014 RMB' 000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	11,407,798	6,492,358
Guarantees for banking and loan facilities granted to an associated entity (note (b))	2,360,000	3,290,000
	13,767,798	9,782,358

Note:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) Certain subsidiaries of the Group jointly and severally provided guarantee in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

NOTES TO THE FINANCIAL STATEMENTS

42 SECURITIES FOR BANKING FACILITIES

At 31 December 2015, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with aggregate carrying values of approximately RMB29,775 million (2014: RMB23,764 million), RMB338 million (2014: RMB344 million), RMB5,538 million (2014: RMB10,682 million) and RMB627 million (2014: RMB883 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (2014: RMB18 million);
- (c) assignment of shareholder's loans between certain companies in the Group with an aggregate amount of nil (2014: RMB18,409 million); and
- (d) pledged bank deposits of nil (2014: RMB2,100 million).

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2015:

<u>Significant related parties</u>	<u>Relationship with the Company</u>
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Kiu Fung Limited ("Kiu Fung")	A fellow subsidiary
Yue Xiu International Development Limited ("YXIDL")	A fellow subsidiary
Yue Xiu Cold Storage and Warehousing Limited ("YXCSSL")	A fellow subsidiary
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd.	A fellow subsidiary

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2015 RMB' 000	2014 RMB' 000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	(2,815)	(2,793)
Rental income received from YXE	259	295
(II) Transactions with Yuexiu REIT		
Tenancy service fees received from Yuexiu REIT	22,612	20,759
Rental expenses paid to Yuexiu REIT	(125,983)	(134,965)
Naming rights expenses paid to Yuexiu REIT	—	(20,000)
Interest paid to Yuexiu REIT	(30,327)	(52,249)
Top-up payment paid/payable to Yuexiu REIT	(66,823)	(104,399)
(III) Transaction with Kiu Fung		
Administrative service fees received from Kiu Fung	1,051	1,024
(IV) Transaction with YXIDL		
Management fees paid to YXIDL	(2,088)	(1,926)
(V) Transaction with YXCSWL		
Rental income received from YXCSWL	2,733	2,646
(VI) Transaction with CHB		
Borrowing interest paid to CHB	(16,260)	(13,228)

NOTES TO THE FINANCIAL STATEMENTS

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2015 RMB' 000	2014 RMB' 000
Amount due to an intermediate holding company	(ii)	(8)	(534)
Amounts due from associated entities	(i), (iv)	464,134	242,306
Amounts due to associated entities	(ii), (vi), (vii)	(5,954,246)	(740,430)
Amounts due from joint ventures	(i), (iii), (v)	3,531,691	829,311
Amounts due to joint ventures	(i), (ii)	(768,727)	(270,657)
Amounts due from related companies	(i), (ii)	21,239	20,473
Amounts due to related companies	(i), (ii)	(50,870)	(64,675)
Amounts due to fellow subsidiaries	(i)	(142,921)	(142,921)
Cash at bank from a fellow subsidiary	(i)	220,036	11,490
Bank borrowings from a fellow subsidiary	(viii)	(251,334)	(236,661)
Other borrowings from a fellow subsidiary	(ix)	(192,498)	(182,184)
Other borrowings from a fellow subsidiary	(x)	(500,000)	—

Except for the amount due to an intermediate holding company and amounts due from associated entities which are denominated in HKD, all other related party balances are denominated in RMB.

Note:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB38,000,000 (2014: RMB38,000,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of approximately RMB12,422,000 (2014: RMB15,108,000) which is included in other receivables, prepayments and deposits.
- (v) The balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (2014: RMB999,000) which is made for an amount due from a joint venture.
- (vi) The balance excludes top-up payment liability of approximately RMB118,234,000 (2014: RMB197,208,000) which is included in other payables and accrued charges.
- (vii) Except for an amount of approximately RMB292,900,000 (2014: RMB508,000,000) which is unsecured and interest bearing at 9.0 percent per annum (2014: 9.0 percent per annum), the remaining balances are unsecured, interest free and repayable on demand.
- (viii) These balances are unsecured and interest bearing at HIBOR +2.5 percent per annum.
- (ix) These balances are the medium term notes with coupon rate of 3.25% per annum due 2018.
- (x) The balance is unsecured and interest bearing at 6.19% per annum due 2017.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2015 RMB' 000	2014 RMB' 000 (Restated)
Fees	772	690
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	32,012	32,109
Pension costs	492	420
	33,276	33,219

44 COMPANY BALANCE SHEET

	2015 RMB' 000	2014 RMB' 000
ASSETS		
Non-current assets		
Property, plant and equipment	7,905	8,656
Interests in subsidiaries	34,269,397	30,397,745
Interests in an associated entity	19,199	19,189
	34,296,501	30,425,590
Current assets		
Other receivables, prepayments and deposits	1,487	1,901
Dividend receivables	1,003,599	1,003,599
Charged bank deposits	—	2,100,000
Cash and cash equivalents	519,098	1,322,190
	1,524,184	4,427,690
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	852,455	52,288
Other payables and accrued charges	385,601	346,257
Borrowings	3,313,829	4,094,007
	4,551,885	4,492,552
Net current liabilities	(3,027,701)	(64,862)
Total assets less current liabilities	31,268,800	30,360,728

NOTES TO THE FINANCIAL STATEMENTS

44 COMPANY BALANCE SHEET (Continued)

	2015 RMB' 000	2014 RMB' 000
Non-current liabilities		
Other payables and accrued charges	34,686	116,082
Borrowings	16,831,249	14,311,066
	<u>16,865,935</u>	<u>14,427,148</u>
Net assets	<u>14,402,865</u>	<u>15,933,580</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	12,759,402	12,759,402
Reserves (Note)	1,643,463	3,174,178
Total equity	<u>14,402,865</u>	<u>15,933,580</u>

On behalf of the Board

Zhang Zhaoxing

Director

Zhu Chunxiu

Director

Note:

Reserves

	Retained profits RMB' 000	Total RMB' 000
At 1 January 2015	3,174,178	3,174,178
Loss for the year	(968,559)	(968,559)
Dividends paid	(562,156)	(562,156)
At 31 December 2015	<u>1,643,463</u>	<u>1,643,463</u>

	Capital redemption reserve RMB' 000	Employee share-based compensation reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
At 1 January 2014	1,699	60	4,297,100	4,298,859
Transfer upon exercise of share options before 3 March 2014	—	(29)	—	(29)
Transfer to no par value regime on 3 March 2014	(1,699)	—	—	(1,699)
Transfer upon exercise of share options after 3 March 2014	—	(235)	—	(235)
Transfer of reserve upon lapse of share options	—	(35)	35	—
Transfer between reserves	—	239	(239)	—
Loss for the year	—	—	(501,211)	(501,211)
Dividends paid	—	—	(621,507)	(621,507)
At 31 December 2014	<u>—</u>	<u>—</u>	<u>3,174,178</u>	<u>3,174,178</u>

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2015, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Able Business Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Able Step Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK\$7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US\$7,500,000	—	100	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares (HK\$1,000)	—	100	—	100	Investment holding
Fundsore Development Limited	Hong Kong	500,000 Ordinary shares (HK\$500,000)	—	100	—	100	Property investment

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Glory Mission Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	95	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	95	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HK\$259,670,000	—	100	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	75	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	—	100	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	—	95	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	98.13	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	98.62	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB380,000,000	—	95.48	—	95.48	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	99.75	—	99.75	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	99.75	—	99.75	Property development and investment
Guangzhou Yuexiu Property Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	98.25	—	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	80	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	97.6	—	97.6	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	95	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	95	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co. Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	99.06	—	99.06	Car parking management

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	100	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	95	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	95	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares (HK\$2)	100	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	95	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	95	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou White Horse Property Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.84	—	99.84	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	99.75	—	99.75	Property investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.28	—	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB1,612,244,900	—	99.07	—	99.07	Property development
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital US\$499,070,000	—	100	—	100	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares (HK\$2)	100	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	95	—	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares (HK\$2)	100	—	100	—	Property investment
Kingswell Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Leading Affluence Limited	Hong Kong	1 Ordinary share (HK\$1)	100	—	—	—	Financing services
Lucken Limited	Hong Kong	3 Ordinary shares (HK\$3)	—	100	—	100	Property investment
Market Rise Limited	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Merry Growth Development Limited	Hong Kong	100 Ordinary shares (HK\$100)	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares (HK\$100)	—	100	—	100	Property investment
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares (HK\$1,000)	—	100	—	100	Hotel operations
Viclong Company Limited	Hong Kong	100 Ordinary shares (HK\$10,000)	—	100	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares (HK\$100) and 500,000 Non-voting deferred shares (HK\$500,000)	—	100	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HK\$1 each	—	100	—	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HK\$1 each	—	100	—	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	—	100	—	100	Investment holding

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	100	—	100	Property development
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	—	47.5	—	47.5	Property development
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.45	—	48.45	Property development
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	—	100	—	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital HK\$1,165,940,000	—	100	—	100	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital US\$99,800,000	—	100	—	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB605,000,000	—	95	—	95	Property development
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	—	100	—	100	Property development
青島越秀地產開發有限公司	China, limited liability company	Registered capital HK\$2,154,000,000	—	100	—	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HK\$624,000,000	—	100	—	100	Property development
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital US\$290,000,000	—	100	—	100	Property development
廣州東秀房地產開發有限公司	China, limited liability company	Registered capital RMB20,000,000	—	95.48	—	95.48	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital US\$59,800,000	—	99.95	—	99.95	Property development
越秀地產(瀋陽)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.95	—	99.95	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	—	49.88	—	49.88	Property management
越秀地產(山東)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	100	—	100	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HK\$2,910,000,000	—	100	—	100	Property development
武漢越秀地產開發有限公司	China, limited liability company	Registered capital RMB2,200,000,000	—	100	—	100	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	95	—	95	Property management
廣州城建物業家政服務有限公司	China, limited liability company	Registered capital RMB500,000	—	99.75	—	99.75	Property management
廣州市薈景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.70	—	99.70	Greening services
廣州城建物業設備工程有限公司	China, limited liability company	Registered capital RMB500,000	—	99.70	—	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95.48	—	95.48	Property development
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95	—	95	Property development
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	100	—	100	Trade finance
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
廣州宏勝房地產開發有限公司	China, limited liability company	Registered capital RMB3,598,000,000	—	100	—	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	—	100	—	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB850,000,000	—	95.48	—	95.48	Property development
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	95	—	95	Property management
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	—	57	—	57	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	95.48	—	95.48	Property development
廣州越港房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	100	—	100	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95.48	—	95.48	Property management
佛山市禪城區越輝房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	95	—	19	Property development
杭州越輝房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	100	—	20	Property development
杭州越港實業投資有限公司	China, limited liability company	Registered capital RMB360,000,000	—	95.48	—	9.55	Property development
江門越港房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	46.41	—	—	Property development

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

GROUP STRUCTURE

PRINCIPAL JOINT VENTURES

As at 31 December 2015, the Group held the following principal joint ventures:

Name of joint Ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co. Ltd.	China	57.14	—	52	—	52	Property development
廣州中耀實業投資有限公司	China	50	—	47.74	—	4.77	Property development
廣州越禾房地產開發有限公司	China	50	—	47.74	—	47.74	Property development
廣州市暉邦置業有限公司	China	50	—	47.74	—	—	Property development

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2015, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2015		2014		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong	—	37.10	—	36.45	Property investment
武漢康景實業投資有限公司	China	—	7.64	—	7.64	Property development
廣州宏嘉房地產開發有限公司	China	—	15.95	—	—	Property development
廣州宏軒房地產開發有限公司	China	—	15.95	—	—	Property development
江門市蓬江區碧桂園房地產開發有限公司	China	—	44.59	—	—	Property development



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

www.yuexiuproperty.com

26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong