越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED
Stock Code : 00123

WHERE GOOD
LIVING STARTS

ANNUAL REPORT
2017

CONTENTS

CORPORATE STRUCTURE

As at 31 December 2017

GUANGZHOU YUEXIU HOLDINGS LIMITED

100%

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

49.67%

YUEXIU PROPERTY COMPANY LIMITED

(Stock Code: 00123)

36.72%

YUEXIU REAL ESTATE INVESTMENT TRUST

(Stock Code: 00405)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing (Chairman)
Mr Zhu Chunxiu
Mr Lin Zhaoyuan
Mr Li Feng
Ms Chen Jing

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
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.
China Construction Bank (Asia) Corporation Limited
Agricultural Bank of China Limited

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

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

Notes and Bonds

The Stock Exchange of Hong Kong Limited

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)

Shanghai Stock Exchange

RMB1,000,000,000 2.95 per cent. Corporate Bonds due 2019 (16 穗建 01 Code: 136600)
RMB2,000,000,000 3.00 per cent. Corporate Bonds due 2021 (16 穗建 02 Code: 136601)
RMB2,500,000,000 2.97 per cent. Corporate Bonds due 2022 (16 穗建 03 Code: 136678)
RMB500,000,000 3.19 per cent. Corporate Bonds due 2021 (16 穗建 04 Code: 136679)
RMB1,500,000,000 2.95 per cent. Corporate Bonds due 2021 (16 穗建 05 Code: 136732)
RMB500,000,000 3.15 per cent. Corporate Bonds due 2023 (16 穗建 06 Code: 136733)

INVESTOR RELATIONS

For further information about
Yuexiu Property Company Limited,
please contact:
Mr Michael Jiang
Email: ir@yuexiuproperty.com

FINANCIAL HIGHLIGHTS

STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

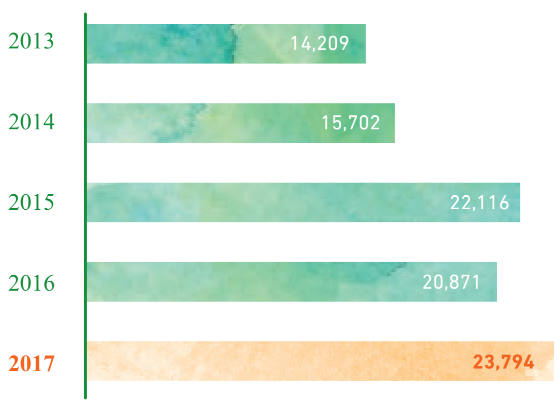
	For the year ended 31 December				
RMB'000	**2017**	2016	2015	2014	2013
Revenue	**23,793,908**	20,871,021	22,115,677	15,701,739	14,208,873
Gross profit	**6,108,107**	4,339,601	4,658,816	4,138,021	4,104,453
Profit attributable to equity holders					
– from continuing operations	**2,260,242**	1,540,154	1,012,889	2,471,255	2,880,343
Basic earnings per share					
– from continuing operations (RMB)	**0.1823**	0.1242	0.0817	0.2329	0.2901

BALANCE SHEET HIGHLIGHTS

	As of 31 December				
RMB'000	**2017**	2016	2015	2014	2013
Total cash (including cash, cash equivalents and charged bank deposits)	**20,794,411**	22,021,982	15,168,118	12,957,343	8,374,233
Total assets	**133,142,511**	125,364,916	112,024,654	93,075,353	78,070,648
Total assets less current liabilities	**80,945,660**	72,438,260	69,490,564	59,116,252	46,280,399
Shareholders' equity	**32,385,638**	30,623,986	29,618,176	29,103,975	24,175,205
Shareholders' equity per share (RMB)	**2.611**	2.469	2.388	2.347	2.593

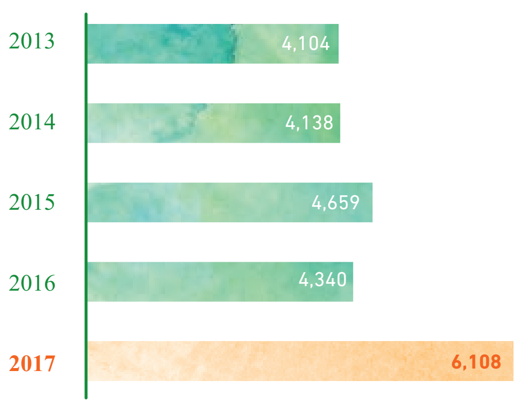
REVENUE

(RMB million)



GROSS PROFIT

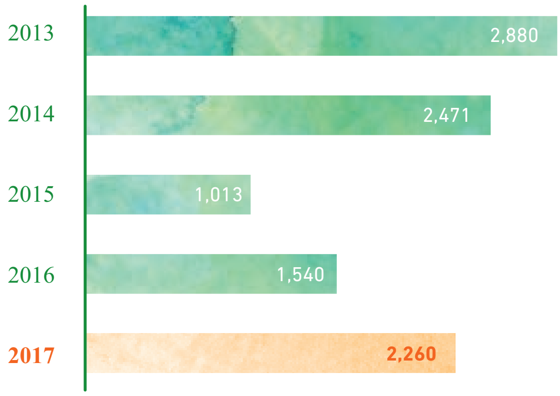
(RMB million)



FINANCIAL HIGHLIGHTS

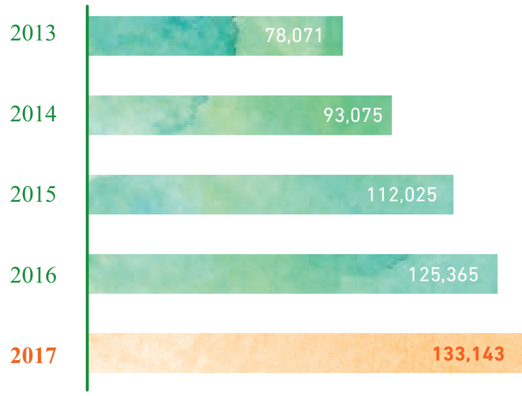
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



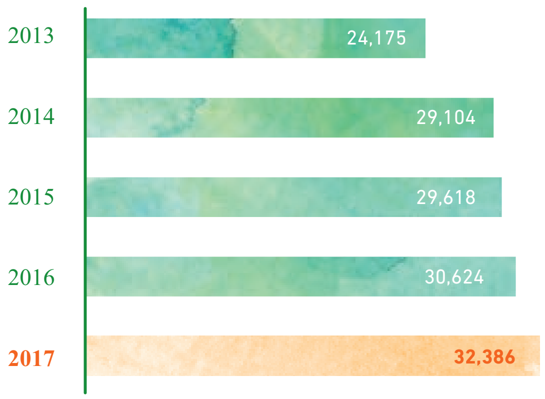
TOTAL ASSETS

(RMB million)



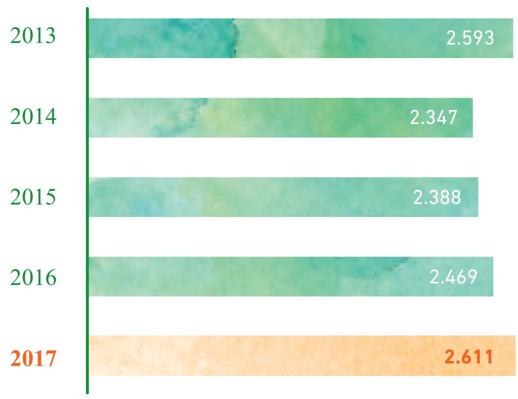
SHAREHOLDERS' EQUITY

(RMB million)



SHAREHOLDERS' EQUITY PER SHARE

(RMB)



KEY EVENTS OF THE YEAR

1

The aggregated value of contracted sales (including contracted sales by joint venture projects) recorded by the Group was approximately RMB40.87 billion, hitting a record high; the value of contracted sales increased by 35.1% on a year-on-year basis, and exceeded the full year sales target of RMB36.0 billion.

2

The Group acquired 19 prime land parcels with total GFA of approximately 5.05 million sq.m., further strengthened its market presence in the three core regions, namely Greater Bay Area, Yangtze River Delta and Central China Region.

3

The Group sold 67% equity interest of a commercial property in Qiaokou District of Wuhan to Yuexiu Real Estate Investment Trust, whereby further deepening its whole industry chain business model of "development, operations and securitization".

4

The Group further optimised its long-term incentive scheme and promoted its share-incentive plan for key employees, and the plan of co-investment by project management teams was fully promoted within the Group. As a result, it stimulated the organisation vigour effectively and strengthened the organic growth momentum.

5

The Group established an urban renewal project company, as an important channel for acquiring land reserve, focusing on the "Railway + Properties" development, development by cooperating with state-owned enterprises and land redevelopment projects covering old factories, old towns and old villages.

KEY EVENTS OF THE YEAR

6

The Group established Guangzhou Yuexiu Elderly-care Investment Holding Co., Ltd. and successfully acquired 51% equity interest of Shenzhen Yinxing Modern Elderly-care Service Co., Ltd. to accelerate its blueprint of elderly-care sector.

7

In response to the national policy for "parallel development of housing for renting and for purchasing", the Group set up specialised platforms to actively develop its housing leasing business.

8

The Group's Guangzhou Nansha Yuexiu Sheraton Hotel officially opened as the first international branded hotel in Nansha of Guangzhou, which continuously enhanced commercial property operation capability of the Group.

9

The Group won the "Corporate Governance Gold Award 2017" awarded by "The Asset" Magazine in Hong Kong for the sixth consecutive year, which was helpful to enhance the reputation and prestige of the Group.

10

The Group published its first Environmental, Social and Governance (ESG) report and hence received a number of influential ESG awards, highlighting the appreciation of the capital market for our corporate social responsibility.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

MR ZHANG ZHAOXING
Chairman

CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

In 2017, the global economy continued to recover and grow amid regional instability and imbalance. The US economy continued to maintain its strong growth momentum, and stepped into an interest rate hike cycle, with quantitative easing measures gradually phasing out. Europe and Japan kept on an economic recovery path. The economies of emerging markets were stable in general with differentiated performances. During the year, Chinese economy experienced a steady and healthy development under the overarching principle "seeking growth while maintaining stability", with steady growth in investment and consumption and rebound in foreign trade growth as the external demand picked up. The central government focused on the "supply-side structural reforms", promoting structural optimisation, dynamic conversion and quality improvement. As a result, the national economy grew steadily on a batch of better-than-expected statistical data, with GDP up 6.9% year on year.

The PRC property market as a whole maintained a stable development in 2017. The GFA of commodity housing sales for the year was approximately 1.69 billion sq.m., representing a year-on-year increase of 7.7%, while commodity housing sales value was approximately RMB13.4 trillion, representing a year-on-year increase of 13.7%. The property sector continued to be an important force to promote steady macroeconomic growth. In 2017, property market policies were "implemented based on each individual city" and control measures were categorised, so as to curb speculative purchases. The market saw a clear differentiation in terms of region. The investment and speculative demands in tier-1 and major tier-2 cities were effectively controlled by virtue of tougher policy tightening. Overall sale volumes decreased. Due to strong rigid demand and short supply in the market, the supply still failed to meet demand in the market, with prices remaining basically flat. With the demand spillover resulting from controls in tier-1 and tier-2 cities, the sales volume in some of tier-3 and tier-4 cities increased markedly. However, overall tier-3 and tier-4 cities were still in their "de-stocking" stage. During the year, the land market made a breakthrough in the supply-side reform. Although local governments increased land supply to balance the supply and demand with an aim to stabilise housing prices in response to the call of the central government, land prices remained high due to fierce competition in the undersupplied land market. Under the new economic normality, the property market has undergone profound and complicated changes. The industry has been increasingly concentrated, with gradually highlighted advantages of major developers in terms of scale and capital and increased merger and acquisition transactions. With an accelerating pace in innovation and transformation, new business types and new development models constantly emerge. Urban renewal, apartments for lease and elderly-care home businesses have become new growth drivers for property developers.

CHAIRMAN'S STATEMENT

Fast Growth in Operating Results

In 2017, by conforming to the themes of "upgrading management to improve quality and integrating resources to promote development", through comprehensively upgrading management, accelerating improvement of operation efficiency and capitalising on and integrating various resources, the Group has built its core competence for development, achieved sustained and steady growth of business operations.

For the year, the revenue of the Group was approximately RMB23.79 billion, representing a year-on-year increase of 14.0%. Profit attributable to equity holders was approximately RMB2.26 billion, representing a year-on-year increase of 46.8%. Core net profit (profit attributable to equity holders excluding net fair value loss on revaluation of investment properties and the related tax effect and net foreign exchange loss recognised in consolidated statement of profit or loss) was approximately RMB2.35 billion, representing a year-on-year increase of 36.7%.

The Board proposed to declare a final dividend for 2017 of HKD0.052 per share (equivalent to RMB0.042 per share). Together with the interim dividend, total dividends for the full year of 2017 was HKD0.092 per share (equivalent to RMB0.076 per share), representing a year-on-year increase of 41.5% in terms of HKD. Total dividends for the full year of 2017 accounted for approximately 40% of the core net profit.

Contracted Sales Hit A New High

In 2017, amid the further extension and increasing magnitude of property tightening measures, the Group by capturing strong and upgrading demands in the market and taking advantage of the opportunities on different regions arising from city-specific and categorisation policies, implemented differentiated and targeted sales strategy in the light of local conditions so as to speed up sales pace, thus achieving good sales results.

For the year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB40.87 billion, 35.1% up on a year-on-year basis and the contracted sales GFA was approximately 2.22 million sq.m., 4.7% down on a year-on-year basis, which accounted for approximately 113.5% of the full year contracted sales target of RMB36.0 billion. The average selling price was RMB18,400 per sq.m., representing an increase of 41.5% on a year-on-year basis. The aggregate contracted sales value in the Greater Bay Area, the Yangtze River Delta and the Central China Region was approximately RMB37.43 billion, accounting for approximately 91.6% of the Group's total contracted sales.

Highly Penetrated to Three Major Regions

In 2017, the Group added 19 quality land parcels in 6 cities including Guangzhou, Hangzhou, Wuhan, Foshan, Jiangmen and Qingdao with a total GFA of approximately 5.05 million sq.m.. In terms of the attributable interest, the GFA was approximately 2.11 million sq.m.

In accordance with the development strategy of the "13th Five-year Plan", in terms of regional expansion layout, the Group made the Greater Bay Area, the Yangtze River Delta and the Central China Region as its three major growth poles and allocated resources in priority. During the year, the Group increased its resource allocation to these three regions, where approximately 85% of the newly added land reserve of the Group is located.

As at 31 December 2017, the total landbank of the Group was approximately 16.27 million sq.m.. The Group's landbank spreads in 12 cities, with approximately 90% located in the Greater Bay Area, the Yangtze River Delta and the Central China Region.

CHAIRMAN'S STATEMENT

"Development + Operations + Finance" Model Effectively Implemented

In 2017, the Group's "Commercial + Residential" strategy was steadily implemented and its entire value chain of "Development, Operations and Finance" was further deepened. The Group sold 67% equity interest in a commercial property in Qiaokou District of Wuhan to Yuexiu Real Estate Investment Trust ("Yuexiu REIT"). This is another example of interaction under Yuexiu "Property-REIT" dual platform, which shows the Group's unique advantage in commercial property, following the successful sale of Guangzhou International Finance Center to Yuexiu REIT in 2012.

For the year, the Group continued to enhance its commercial operation capability. As at the end of 2017, the Group directly owned approximately 0.79 million sq.m. of investment properties for lease, and recorded rental income of approximately RMB0.62 billion, representing a year-on-year increase of 19.3%. The Group indirectly owned, through Yuexiu REIT, approximately 0.99 million sq.m. of commercial properties for lease contributing revenue of approximately RMB1.85 billion.

Continued Improvement in Operation and Management Capabilities

To promote and optimise the regional layout across the country, the Group continued to optimise its organisational management and control system and brought it to effective implementation. Centering on the full life-cycle operation of projects, the Group built an effective project management mechanism and leveled up its standards of operation and management, so as to accelerate the project turnover. The Group kept enhancing its product design and innovation and cost control capabilities to improve product premium and profitability.

The Group comprehensively improved performance evaluation system, built up market-oriented remuneration system, further deepened the implementation of its long-term incentive scheme and promoted its share-incentive plan for key employees. The plan of co-investment by project management teams was fully promoted within the Group with an aim to share risks and profits to effectively motivate them. In order to provide strong and sound personnel support for company development, the Group promoted the implementation of systematic staff development plan, optimised the current training system for key staff members and actively recruited outstanding professional managers.

Stable and Sound Financial Position

In 2017, the Group gave full play to its advantages of onshore and offshore diversified financing channels and consolidated and allocated financial resources to support the development of its principal business. For the year, the new banking borrowings of the Group increased by approximately RMB17.80 billion, while the Group's average borrowing interest rate decreased to 4.30% from 4.64% in 2016. The Group's total cash and cash equivalents and charged bank deposits amounted to approximately RMB20.79 billion, and its net gearing ratio was 72.8%, representing a reasonable level in the industry.

The Group expedited the implementation of management accounting system, optimised the system of management and control indicators, and strengthened the guiding effects of each performance indicator on its operation. The Group promoted the establishment of finance-share center so as to increase the utilisation rate of financial resources.

CHAIRMAN'S STATEMENT

Accelerating Expansion of New Businesses

In 2017, in order to accelerate the expansion of new businesses such as urban renewal, elderly-care home and apartments for lease, the Group set up specialised platforms for each business respectively, laying a solid foundation for the rapid development in the future. The Group established an urban renewal project company, as an important channel for acquiring land reserve, focusing on the "Railway + Properties" development, development by cooperating with state-owned enterprises and land redevelopment projects covering old factories, old towns and old villages. Guangzhou Yuexiu Elderly-care Investment Holding Co., Ltd. (廣州越秀養老產業投資控股有限公司) was established to accelerate the blueprint of elderly-care sector, and currently, it has several projects in progress. In response to the national policy for "parallel development of housing for lease and for sale", the Group actively developed its housing leasing business.

II. BUSINESS OUTLOOK

Looking forward to 2018, the global economy will continue to sustain its growth. The U.S. economy is expected to continue its strong growth with the stimulus of tax cuts and other positive measures. Europe, Japan and other developed economies are expected to continue their recovery while the emerging economies are poised for a steady growth. Nevertheless, uncertainties such as trade protectionism, US interest rate hikes, tighter monetary policies and geopolitical risks still pose challenges to global growth. Chinese economy has shifted from a rapid growth stage to a high-quality development stage. Under the overarching principle "seeking growth while maintaining stability", the central government will keep deepening supply-side structural reforms, adopt proactive fiscal policies and prudent and neutral monetary policies, and continue to promote the reform of economic system and tap new sources of economic growth. It is anticipated that China's macroeconomy will maintain steady growth as a whole in 2018.

In 2018, it is estimated that the government will keep the substainability and stability of its policies for regulating the property market, adhering to the keynote of "the house is for living in rather than for speculation" and staying the course with differentiated control. Differentiation in the property market will continue. Tight control will continue in hotspots among tier-1 and tier-2 cities while sales remains stable since supply fails to meet the demand. Policy de-stocking effects in tier-3 and tier-4 cities will gradually weaken. Tier-1 cities and key tier-2 cities are going to increase their land supply for residential purpose. Hence, property developers are expected to be more rational in land acquisition. Strict supervision over financing channels and tightening liquidity lead to increase in the capital cost of property developers. There will be more opportunities for merger and acquisition and cooperation, which for the developers with financial strength is a better timing to expand. New business types and new development models will continue to emerge in the property market, and urban agglomeration effects appear gradually in the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, middle reaches of the Yangtze River and the Bohai Rim Economic Zone, providing developers with further growth opportunities. The government will expedite establishment of a housing system encompassing multi-suppliers, multi-channels and both renting and purchase, and improve the long-acting mechanisms to promote steady and healthy development of the property market. As a pillar industry, the property industry will continue to play an important role in stabilising the economy and boosting growth.

CHAIRMAN'S STATEMENT

In 2018, with the aim to accomplish sales and operating targets for the full year and by conforming to the themes of "business-driven quality improvement, innovation-driven development", the Group will focus on three core regions, namely Greater Bay Area, Yangtze River Delta and Central China Region, and strive to strengthen and optimise the development and operation of residential and commercial properties. The Group will keep fostering new businesses such as urban renewal, elderly-care home and apartments for lease, and bring industrial and capital operations closely linked to innovate and develop real estate finance. The Group is dedicated to becoming an outstanding enterprise with distinct competitive edge and leading comprehensive strength in the industry.

Multi-channel Access to Gain Quality Resources

The Group will continue to play its unique advantages of obtaining resources via various means and channels. Specifically, the Group will adhere to the strategy of "active biddings, prudence on premiums and seeking for cooperation" to seise opportunities of land grant in the open market to increase quality land resources. By taking advantage of the parent company's resources platform, the Group's unique reserve increase model of "incubation by the parent — acquisition by the Group" to increase land reserve has become the normality to gain resource. With its urban renewal project as a carrier, the Group will collaborate with the "Guangzhou State-owned Asset Development Alliance" established by the Group and the "Guangzhou Urban Renewal Fund" initiated by the parent company to deepen its participation in the "Railway + Properties" development and urban renewal projects such as redevelopment of old plants, old towns and old villages. By utilising the resource platform of the state-owned enterprises, the Group will continue to strengthen strategic cooperation with state-owned enterprises to explore quality land resources. The Group will strengthen cooperation with outstanding peer enterprises to actively pursue merger & acquisition transaction opportunities in the secondary market.

In-depth Operation in Three Core Regions

The key cities where the Group's operations are located are in the Greater Bay Area, the Yangtze River Delta, middle reaches of the Yangtze River and the Bohai Rim Economic Zone, with sound development momentum. The Group will continue to concentrate on its operations in the three major regions, namely the Greater Bay Area, the Yangtze River Delta and the Central China Region, with the aims to improve its overall professional standards and competitiveness in each part of the value chain, strengthen its profitability, expedite project turnover and increase capital returns for the shareholders. Leveraging on the national development strategy in respect of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group will conduct in-depth operation in existing cities and speed up the blueprint in new cities within the area, so as to enhance its market share and influence.

Promote implementation of the "Commercial + Residential" strategy

The "Commercial + Residential" strategy is one of the major development strategies of the Group. The Group will continue to enhance its operation and management capabilities with respect to commercial properties to increase commercial rental income and enhance the value of commercial properties, making commercial properties an important "stabiliser" for the Group. Meanwhile, the Group will keep deepening its whole industry chain business model of "development, operations and finance", enhance interaction with Yuexiu REIT and further explore the asset securitisation, so as to form an integrated operation model of "Investing — Financing — Building — Operating — Exiting". Ultimately, our goal is to strive to reach the rank of first-class commercial property developers in China.

CHAIRMAN'S STATEMENT

Actively Develop New Business

The Group will vigorously explore and develop new business types and new models to make them new growth drivers for the Group's future business development. Furthermore, the Group will work in depth with local governments and state-owned enterprises to tap into the latter's stock of land resources. Emphasis will be placed on building up the "Railway + Properties" development model in order for the Group to become a leading urban renewal service provider. Elderly-care home business will be actively developed in order for the Group to become a leading player with strong asset management capability and prominent core operation capability in the sector; and residential leasing projects will be actively developed for the Group to become a leading enterprise with core operation capability and well-known leasing apartment brand in the sector. Meanwhile, the Group will focus on strengthening and exploring the development of property "+ industries", "+ towns", "+ culture, business and tourism" and other new business types in connection with real estate.

Deepening the Reform of Management Mechanism

The Group will endeavor to bring in key personnel, including medium-to-high-ranking professional managers and key professionals, comprehensively promote the talent training system and strengthen the team building of professional managers. In addition, the Group will further strengthen the development of long-term incentive schemes and continue to optimise the plan of co-investment by project management teams and win-win profit-sharing plan, and deepen the implementation of the share award scheme for key employees. To adapt to its national footprint and the expansion of business scale, the Group will continue to optimise its organisation control system. Specific measures are to strengthen strategic controls and professional support of headquarters, to stimulate regional business vitality, to improve investment and operational efficiency, to accelerate the turnover of project development and thus to promote rapid business development.

Ensure Stable and Sound Financial Position

The Group closely monitors changes in macro-policy conditions and takes various effective responsive measures to strengthen risk management as well as to safeguard the security of its working capital. The Group will enhance the collection of sales proceeds and cash flow management, and explore multiple channels of funding sources, to ensure the sufficient liquidity. Our asset-liability structure and financing portfolio will be constantly optimised and our onshore and offshore financial resources will be allocated reasonably, in order to reduce the financing costs and effectively manages the foreign currency risks. The optimisation of management accounting system and operating cost model will be implemented to raise the efficiency of usage of financial resources. The system of management and control indicators will be optimised to strengthen the supporting effect of financial management on its operational development.

CHAIRMAN'S STATEMENT

ACKNOWLEDGMENT

2018 is a crucial year for implementing the Group's "13th Five-year" development plan. The Group is implementing the annual business plan of 2018 and the "13th Five-year" development plan comprehensively. Capitalising on the strategic opportunities for development, we will continuously create value for shareholders by enhancement and optimisation in operations, management upgrading and breakthroughs in innovation. With respect to the development of various businesses 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 trust and dedicated support.

Mr Zhang Zhaoxing
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In 2017, the Group realized revenue of approximately RMB23.79 billion (2016: RMB20.87 billion), representing a year-on-year increase of 14.0%. The total revenue (including proceeds from sales of investment properties) was approximately RMB24.14 billion (2016: RMB21.05 billion), representing a year-on-year increase of 14.7%. The gross profit was approximately RMB6.11 billion (2016: RMB4.34 billion), representing a year-on-year increase of 40.8%, and the gross profit margin reached approximately 25.7%, representing a year-on-year increase of 4.9 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2017, profit attributable to equity holders of the Group was approximately RMB2.26 billion (2016: RMB1.54 billion), a year-on-year increase of 46.8%. If the net fair value losses on revaluation of investment properties and the related tax effect and net foreign exchange loss were not taken into account, the core net profit was approximately RMB2.35 billion (2016: RMB1.72 billion), a year-on-year increase of 36.7% and core net profit margin was approximately 9.9%.

CONTRACTED SALES

In 2017, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB40.87 billion, a year-on-year increase of 35.1% and accounted for approximately 113.5% of the full year contracted sales target of RMB36.0 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.22 million sq.m., representing a year-on-year decrease of 4.7%. The average selling price was approximately RMB18,400 per sq.m., a year-on-year increase of 41.5%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2017, Guangzhou accounted for approximately 45.0%, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.6%, Yangtze River Delta accounted for approximately 21.0%, Central China Region accounted for approximately 10.9%, Bohai Rim accounted for approximately 8.4%, and Hong Kong accounted for approximately 2.1%.

In 2017, the development of the property market of the three major regions that the Group focused on, namely the Greater Bay Area, the Yangtze River Delta and the Central China Region, was healthy. The Group also recorded a strong sales results in these regions. The contracted sales value amounted to approximately RMB37.43 billion, accounting for approximately 91.6% of the total contracted sales.

Guangdong — Hong Kong — Macau Greater Bay Area

The Group has already established operations in Guangzhou, Hong Kong, Foshan, Jiangmen and Zhongshan, within the Greater Bay Area. In 2017, along with the introduction and gradual implementation of the development strategy in respect of the Greater Bay Area, the urban agglomerations within the area entered into a more energetic development stage.

Guangzhou's economy maintained a medium-to-high growth rate in 2017, with the city's GDP up 7.0% year on year. In 2017, stringent control policies were implemented in Guangzhou, effectively curbing property speculations, but both rigid and upgrading demands remained very strong. The Group proactively responded to the said control policies. Through precise and multi-pronged marketing strategies and raising the market attention, the contracted sales value in Guangzhou for the whole year amounted to approximately RMB18.4 billion, up 41.1% year on year, while the average selling price was approximately RMB26,900 per sq. m., up 46.2% year on year.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, a number of favourable policies were released for the Nansha District of Guangzhou, which became a new state-level district, a free trade pilot area and a sub-centre of Guangzhou City. In Nansha, emerging industries of strategic importance have developed rapidly. The development potential of Nansha was further enhanced by the proposal of the Guangdong-Hong Kong-Macau Greater Bay Area in 2017. The contracted sales value of the Group in Nansha amounted to approximately RMB3.56 billion, up 18.3% year on year, while the average selling price was approximately RMB17,400 per sq. m., up 27.9% year on year.

In 2017, the GDP of Foshan, Jiangmen and Zhongshan increased by 8.5%, 8.1% and 6.6%, respectively. Commodity residential housing sales in these three cities dropped in varying degrees as a result of the tightening property policies, but the average selling prices maintained a steady growth. The contracted sales value of the Group in these three cities amounted to approximately RMB5.13 billion, while the average selling price was approximately RMB10,100 per sq. m., up 21.7% year on year.

Yangtze River Delta

The Group has already deployed in Hangzhou and Suzhou, within the Yangtze River Delta. Hangzhou and Suzhou posted quality and stable economic growth in 2017. The GDP of the two cities increased by 8.0% and 7.1% year on year, respectively. The property market in Hangzhou and Suzhou was also subject to stringent macro-control measures in the past year, leading to a significant decrease in the GFA of commodity residential housing sales over the same period of last year. The Group launched projects for sale in accordance with the market conditions and the pace of sales and sales momentum remained strong. The contracted sales value of the Group in the Yangtze River Delta reached approximately RMB8.60 billion, up 72.5% year on year, and the average selling price was approximately RMB18,000 per sq. m., up 52.5% year on year.

Central China Region

Wuhan, a key city in the Central China Region where the Group had deep footprint, reported a steady economic growth in 2017, with its GDP up 8.0% year on year. Due to administrative restrictions on home-purchases and housing loans, coupled with the relatively limited market supply, the volume of city's commodity residential housing sales declined significantly. The Group adjusted its pricing strategy in a timely manner in light of market conditions, hence achieving satisfactory sales results. The contracted sales value amounted to approximately RMB4.45 billion, up 10.1% year on year, while the average selling price was approximately RMB27,100 per sq. m., up 44.9% year on year.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales are summarised as follows:

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	8,700	600	69,000
2	Guangzhou Fortune Apartment	11,300	445	39,400
3	Guangzhou Starry Golden Sands	3,400	98	28,800
4	Guangzhou Starry Wenhua	9,400	295	31,400
5	Guangzhou Paradiso Riverside	11,600	154	13,300
6	Guangzhou Starry Sky City	47,100	1,938	41,100
7	Guangzhou Purple Cloud Mansion	48,500	2,018	41,600
8	Guangzhou Starry Haizhu Bay	95,000	4,284	45,100
9	Guangzhou Yuexiu Greenland Haiyue	40,000	1,919	48,000
10	Guangzhou Lingnan Hillside	37,600	459	12,200
11	Guangzhou Lingnan Villas	3,400	35	10,300
12	Guangzhou Lingnan Wood	21,400	244	11,400
13	Guangzhou Yuexiu Poly Aite City	93,500	1,988	21,300
14	Nansha Southern Le Sand	99,100	1,769	17,900
15	Nansha Binhai New Town	106,100	1,792	16,900
16	Conghua Glade Village	36,600	204	5,600
17	Conghua Glade Greenland	3,000	25	8,300
	Other projects	7,000	130	18,600
	Subtotal (Guangzhou)	**682,700**	**18,397**	**26,900**
18	Nanhai Starry Winking	19,400	371	19,100
19	Foshan Lingnan Junting	40,700	563	13,800
20	Foshan Paradiso Power	34,100	445	13,000
21	Jiangmen Starry Regal Court	6,200	69	11,100
22	Jiangmen Xijiang Mansion	16,000	137	8,600
23	Jiangmen Xijiang Joy Mansion	139,300	1,292	9,300
24	Jiangmen Starry Mountain	81,900	967	11,800
25	Zhongshan Starry Winking	89,500	547	6,100
26	Zhongshan Starry Peakfield	23,500	323	13,700
27	Zhongshan Starry Junting	2,100	17	8,100
28	Zhongshan Paradiso Jadin	54,800	401	7,300
	Subtotal (Pearl River Delta ex. Guangzhou)	**507,500**	**5,132**	**10,100**

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
29	Hangzhou Starry City	206,900	2,171	10,500
30	Hangzhou Starry Joy City	6,800	118	17,400
31	Hangzhou Starry Upper City	88,200	1,937	22,000
32	Hangzhou Victory Center	22,200	730	32,900
33	Hangzhou Crystal City	76,500	1,583	20,700
34	Hangzhou Yuexiu Qinai Lane	58,000	1,737	29,900
35	Suzhou Paradiso Pavilion	12,400	226	18,200
36	Suzhou Starry Pavilion	7,300	100	13,700
	Subtotal (Yangtze River Delta)	**478,300**	**8,602**	**18,000**
37	Wuhan Starry Winking	9,700	216	22,300
38	Wuhan Starry Emperor	63,600	937	14,700
39	Wuhan International Financial City	82,600	3,028	36,700
40	Wuhan Starry Mountain (previous name: Wuhan Wuchang Zhongbei Road Land)	8,500	273	32,100
	Subtotal (Central China Region)	**164,400**	**4,454**	**27,100**
41	Shenyang Starry Winking	60,200	809	13,400
42	Shenyang Yuexiu Hill Lake	2,300	22	9,600
43	Shenyang Starry Blue Sea	3,100	38	12,300
44	Dalian Yuexiu Plaza	18,100	134	7,400
45	Yantai Starry Golden Sands	150,500	943	6,300
46	Yantai Starry Phoenix	2,600	22	8,500
47	Qingdao Starry Blue Bay	30,600	368	12,000
48	Qingdao Yuexiu Infinite Mansion	115,800	1,106	9,600
	Subtotal (Bohai Rim)	**383,200**	**3,442**	**9,000**
49	Hong Kong Prince Edward Road West Project	3,200	697	217,800
50	Hong Kong Tsing Tai Road Project	800	145	181,300
	Total	**2,220,100**	**40,869**	**18,400**

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED SALES

In 2017, the value of the recognised sales (including the sale of investment properties of approximately RMB0.4 billion) and GFA of the recognised sales (including proceeds from sales of investment properties of approximately 90,400 sq.m.) were approximately RMB22.15 billion and 1.95 million sq.m., representing a year-on-year increase of 13.4% and 5.7%, respectively, and the average selling price was approximately RMB11,400 per sq.m..

Recognised sales are summarised as follows:

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
1	Guangzhou Starry Golden Sands	9,900	287	29,000
2	Guangzhou Starry Wenhua	14,100	404	28,700
3	Guangzhou Paradiso Riverside	15,900	197	12,400
4	Guangzhou Starry Winking	200	7	35,000
5	Guangzhou Starry Cullinan	5,600	363	64,800
6	Guangzhou Lingnan Hillside	2,100	31	14,800
7	Guangzhou Lingnan Villas	13,200	155	11,700
8	Guangzhou Fortune Apartment	11,500	431	37,500
9	Nansha Southern Le Sand	260,900	3,619	13,900
	Other projects	10,200	82	8,000
	Subtotal (Guangzhou)	**343,600**	**5,576**	**16,200**
10	Nanhai Starry Winking	59,900	987	16,500
11	Foshan Lingnan Junting	40,900	523	12,800
12	Foshan Paradiso Power	155,000	1,639	10,600
13	Jiangmen Starry Regal Court	15,100	147	9,700
14	Zhongshan Starry Winking	123,000	825	6,700
15	Zhongshan Starry Junting	2,300	18	7,800
16	Zhongshan Starry Peakfield	167,000	1,161	7,000
17	Zhongshan Paradiso Jadin	135,000	630	4,700
	Investment Property	90,400	400	4,400
	Subtotal (Pearl River Delta ex. Guangzhou)	**788,600**	**6,330**	**8,000**
18	Hangzhou Starry City	46,900	327	7,000
19	Hangzhou Starry Joy City	13,800	148	10,700
20	Hangzhou Starry Upper City	164,100	2,878	17,500
21	Hangzhou Victory Center	25,200	788	31,300
22	Suzhou Paradiso Pavilion	16,300	234	14,400
23	Suzhou Starry Pavilion	75,500	988	13,100
	Subtotal (Yangtze River Delta)	**341,800**	**5,363**	**15,700**
24	Wuhan Starry Winking	19,800	419	21,200
25	Wuhan Starry Emperor	123,800	1,565	12,600
	Subtotal (Central China Region)	**143,600**	**1,984**	**13,800**

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
26	Shenyang Starry Winking	50,600	654	12,900
27	Shenyang Starry Blue Sea	5,300	40	7,500
28	Shenyang Yuexiu Hill Lake	2,800	25	8,900
29	Yantai Starry Golden Sands	76,000	416	5,500
30	Yantai Starry Phoenix	3,700	23	6,200
31	Qingdao Starry Blue Bay	190,100	1,734	9,100
	Subtotal (Bohai Rim)	**328,500**	**2,892**	**8,800**
	Total	**1,946,100**	**22,145**	**11,400**

UNRECOGNISED SALES

As of 31 December 2017, the value of the unrecognised sales amounted to approximately RMB39.71 billion, and GFA of the unrecognised sales was approximately 2.14 million sq.m.. The average selling price was approximately RMB18,600 per sq.m..

Unrecognised sales are summarised as follows:

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	5,300	355	67,000
2	Guangzhou Starry Golden Sands	7,400	194	26,200
3	Guangzhou Starry Wenhua	11,100	288	25,900
4	Guangzhou Paradiso Riverside	27,100	427	15,800
5	Guangzhou Starry Sky City	93,500	3,341	35,700
6	Guangzhou Purple Cloud Mansion	48,500	2,018	41,600
7	Guangzhou Starry Haizhu Bay	125,400	5,339	42,600
8	Guangzhou Yuexiu Greenland Haiyue	90,900	3,557	39,100
9	Guangzhou Lingnan Hillside	36,600	450	12,300
10	Guangzhou Lingnan Villas	2,000	62	31,000
11	Guangzhou Lingnan Wood	5,200	134	25,800
12	Guangzhou Yuexiu Poly Aite City	76,200	1,774	23,300
13	Nansha Southern Le Sand	65,200	1,339	20,500
14	Nansha Binhai New Town	106,100	1,792	16,900
	Subtotal (Guangzhou)	**700,500**	**21,070**	**30,100**

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
15	Nanhai Starry Winking	7,100	144	20,300
16	Foshan Lingnan Junting	87,700	793	9,000
17	Foshan Paradiso Power	18,700	166	8,900
18	Jiangmen Starry Regal Court	2,400	26	10,800
19	Jiangmen Xijiang Mansion	162,300	1,225	7,500
20	Jiangmen Xijiang Joy Mansion	163,500	1,492	9,100
21	Jiangmen Starry Mountain	81,900	967	11,800
22	Zhongshan Starry Peakfield	23,300	315	13,500
23	Zhongshan Paradiso Jadin	84,600	569	6,700
	Subtotal (Pearl River Delta ex. Guangzhou)	**631,500**	**5,697**	**9,000**
24	Hangzhou Starry City	206,200	2,171	10,500
25	Hangzhou Starry Joy City	2,300	60	26,100
26	Hangzhou Starry Upper City	15,700	352	22,400
27	Hangzhou Victory Center	1,800	46	25,600
28	Hangzhou Crystal City	2,800	64	22,900
29	Hangzhou Yuexiu Qinai Lane	58,000	1,737	29,900
30	Suzhou Paradiso Pavilion	3,100	43	13,900
31	Suzhou Starry Pavilion	79,800	1,049	13,100
	Subtotal (Yangtze River Delta)	**369,700**	**5,522**	**14,900**
32	Wuhan Starry Winking	2,700	85	31,500
33	Wuhan Starry Emperor	47,800	700	14,600
34	Wuhan International Financial City	117,400	4,108	35,000
35	Wuhan Starry Mountain (previous name: Wuhan Wuchang Zhongbei Road Land)	8,600	273	31,700
	Subtotal (Central China Region)	**176,500**	**5,166**	**29,300**
36	Shenyang Starry Winking	24,400	309	12,700
37	Shenyang Starry Blue Sea	3,000	91	30,300
38	Yantai Starry Golden Sands	116,000	753	6,500
39	Qingdao Yuexiu Infinite Mansion	115,800	1,106	9,600
	Subtotal (Bohai Rim)	**259,200**	**2,259**	**8,700**
	Total	**2,137,400**	**39,714**	**18,600**

MANAGEMENT DISCUSSION AND ANALYSIS

LANDBANK

As of 31 December 2017, the Group has newly acquired 19 land parcels mainly located in Guangzhou, Hangzhou, Wuhan and Qingdao, with total GFA of approximately 5.05 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 2.11 million sq.m.

As of 31 December 2017, land parcels newly acquired are summarised as follows:

No.	Project	Equity holding	Total GFA *(sq.m.)*	Attributable GFA *(sq.m.)*
1	Guangzhou Guanggang Phase 4 Land	15.91%	259,100	41,200
2	Huadu Phoenix Road Land	9.55%	218,200	20,800
3	Nansha Jinling North Land	14.25%	126,800	18,100
4	Nansha Lingshan Island Land	100.00%	175,800	175,800
5	Jiangmen Heshan Starry Regal Court (previous name: Jiangmen Heshan Yayao Land I & II)	95.00%	419,700	398,700
6	Foshan Chancheng Chaoan Road Land	46.55%	79,500	37,000
7	Foshan Nanhai Shanghai Village Land	9.50%	548,100	52,100
8	Hangzhou Genbei New Town West Land	48.45%	360,700	174,800
9	Hangzhou Linan Binhu New District Land	95.00%	234,000	222,300
10	Hangzhou Yuhang Xingguo Road Land	39.18%	232,600	91,100
11	Hangzhou Jianggan Niutian Land	9.50%	124,100	11,800
12	Wuhan Starry Bay (previous name: Wuhan Guobo New Town Land)	95.00%	90,600	86,100
13	Wuhan Caidian Land I	95.00%	78,800	74,900
14	Wuhan Caidian Land II	95.48%	171,900	164,100
15	Wuhan Yangsi Port Land	12.25%	925,900	113,400
16	Wuhan Aoyuan East Land	95.48%	44,300	42,300
17	Wuhan Yuexiu Paradiso	95.48%	214,600	204,900
18	Qingdao Yuexiu Elegant Mansion	95.00%	81,400	77,300
19	Qingdao Licang Qingyin Highway East Land	15.75%	666,300	104,900
	Total		**5,052,400**	**2,111,600**

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2017, the landbank of the Group reached approximately 16.27 million sq.m. with a total of 49 projects in 12 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 9.83 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 38.9% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 11.3%, Yangtze River Delta accounted for approximately 22.8%, Central China Region accounted for approximately 15.2%, Bohai Rim accounted for approximately 10.7%, Hainan accounted for approximately 0.6% and Hong Kong accounted for approximately 0.5%.

Landbank is summarised as follows:

No.	Project	Landbank *GFA (sq.m.)*	PUD *GFA (sq.m.)*	PFD *GFA (sq.m.)*
1	Guangzhou Asia Pacific Century Plaza	229,400	229,400	—
2	Guangzhou Starry Sky City	688,100	688,100	—
3	Guangzhou Purple Cloud Mansion	297,800	297,800	—
4	Guangzhou Starry Haizhu Bay	771,400	391,500	379,900
5	Guangzhou Greenland Yuexiu Haiyue	237,900	237,900	—
6	Guangzhou Haizhu Nanzhou Road Land	156,400	—	156,400
7	Guangzhou Guanggang Phase 4 Land	259,100	—	259,100
8	Guangzhou Yuexiu Poly Aite City	514,000	514,000	—
9	Nansha Southern Le Sand	1,357,200	355,900	1,001,300
10	Nansha Binhai New Town	1,000,400	638,300	362,100
11	Nansha Tantou Land	253,600	171,100	82,500
12	Nansha Jinling North Land	126,800	—	126,800
13	Nansha Lingshan Island Land	175,800	—	175,800
14	Huadu Phoenix Road Land	218,200	—	218,200
	Other projects	52,100	44,000	8,100
	Subtotal (Guangzhou)	**6,338,200**	**3,568,000**	**2,770,200**
15	Foshan Lingnan Junting	22,800	5,800	17,000
16	Foshan Nanhai Shanghai Village Land	548,100	—	548,100
17	Foshan Chancheng Chaoan Road Land	79,500	—	79,500
18	Jiangmen Starry Regal Court	57,500	57,500	—
19	Jiangmen Xijiang Mansion	150,200	150,200	—
20	Jiangmen Xijiang Joy Mansion	228,400	228,400	—
21	Jiangmen Starry Mountain	170,900	170,900	—
22	Jiangmen Heshan Starry Regal Court (previous name: Jiangmen Heshan Yayao Land I & II)	419,700	161,300	258,400
23	Zhongshan Starry Peakfield	158,600	158,600	—
	Subtotal (Pearl River Delta ex. Guangzhou)	**1,835,700**	**932,700**	**903,000**

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
24	Hangzhou Starry City	1,327,400	579,400	748,000
25	Hangzhou Yuexiu Qinai Lane	78,000	78,000	—
26	Hangzhou Garden 1872	361,000	128,300	232,700
27	Hangzhou Genbei New Town West Land	360,700	179,700	181,000
28	Hangzhou Linan Binhu New District Land	234,000	—	234,000
29	Hangzhou Yuhang Xingguo Road Land	232,600	232,600	—
30	Hangzhou Jianggan Niutian Land	124,100	—	124,100
31	Suzhou Taicang Xiangdong Island Land	987,800	—	987,800
	Subtotal (Yangtze River Delta)	**3,705,600**	**1,198,000**	**2,507,600**
32	Wuhan Starry Emperor	112,600	112,600	—
33	Wuhan International Financial City	778,100	778,100	—
34	Wuhan Starry Mountain (previous name: Wuhan Wuchang Zhongbei Road Land)	57,600	57,600	—
35	Wuhan Yangsi Port Land	925,900	925,900	—
36	Wuhan Starry Bay (previous name: Wuhan Guobo New Town Land)	90,600	90,600	—
37	Wuhan Aoyuan East Land	44,300	44,300	—
38	Wuhan Caidian Land I	78,800	—	78,800
39	Wuhan Caidian Land II	171,900	—	171,900
40	Wuhan Yuexiu Paradiso	214,600	149,100	65,500
	Subtotal (Central China Region)	**2,474,400**	**2,158,200**	**316,200**
41	Shenyang Starry Winking	383,600	16,200	367,400
42	Shenyang Yuexiu Hill Lake	251,800	—	251,800
43	Shenyang Starry Blue Sea	9,800	9,800	—
44	Yantai Starry Golden Sands	215,000	215,000	—
45	Qingdao Yuexiu Infinite Mansion	138,100	138,100	—
46	Qingdao Yuexiu Elegant Mansion	81,400	81,400	—
47	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
	Subtotal (Bohai Rim)	**1,746,000**	**460,500**	**1,285,500**
48	Haikou Simapo Island Land	100,400	6,000	94,400
49	Hong Kong Yau Tong Project	73,400	—	73,400
	Total	**16,273,700**	**8,323,400**	**7,950,300**

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION PROGRESS

In respect of the development of residential properties, the Group follows market cycle and speeds up the turnover to enhance the development efficiency. Project development was progressing as scheduled. To accelerate sales and satisfy the new strong demand of the market, new commencement of construction and completion were in line with the Group's schedule.

New commencement of construction and completion are summarised as follows:

Construction progress	**Actual GFA In 2017** *(sq.m.)*	**Planned GFA for 2018** *(sq.m.)*
New commencement of construction	3,730,000	4,321,700
Completion	2,460,000	2,352,700

INVESTMENT PROPERTIES

As of 31 December 2017, the Group owned investment properties under lease of approximately 788,200 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 36.8%, 47.8% and 15.4%, respectively. The Group recorded rental revenue of approximately RMB618 million in 2017, representing an increase of 19.3% year on year, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In 2017, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB119 million, which was mainly due to the lower-than-expected operation performance of Guangzhou Fortune World Plaza and the commercial part of Nanhai Starry Winking (南海星匯雲錦) for the year.

OTHER GAINS, NET

In 2017, the Group's other gains, net amounted to approximately RMB671 million, representing a decrease of 36.9% on a year-on-year basis. Other gains, net for the year of 2017 included an aggregate gain (before taxation) of approximately RMB423 million upon the transfer of 67% equity interest of an indirect wholly-owned subsidiary, the gains on disposal of a hotel of approximately RMB98 million, the gains on equity transfer of two projects in Hong Kong and one project in Dalian amounted to approximately RMB162 million and other net losses of approximately RMB13 million.

SELLING AND MARKETING COSTS

In 2017, the Group's selling and marketing costs were approximately RMB619 million, representing an increase of 0.9% year on year. The selling and marketing costs accounted for 1.5% of total contracted sales for the year, down by 0.5 percentage point from 2.0% for last year. The Group has always endeavored to implement effective marketing plans to control its selling and marketing costs at an appropriate level.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB967 million, representing an increase of 9.4% year on year. The administrative expenses accounted for 2.4% of the contracted sales for the year, down by 0.5 percentage point from 2.9% for last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget.

FINANCE COSTS

In 2017, the Group's interest expenses amounted to approximately RMB2.18 billion, including interest expenses of bank borrowings and bonds of RMB1.91 billion, representing an increase of RMB129 million on a year-on-year basis. In addition, the interest expenses of borrowings from an intermediate holding company, an associated entity and a related party of a non-controlling interest amounted to approximately RMB272 million in total for the year, representing a decrease of RMB6 million year on year. The average effective borrowing interest rate for the year decreased to 4.30% per annum from 4.64% per annum for 2016.

As at 31 December 2017, the exchange rate of RMB against USD appreciated by 5.81% as compared to that at the beginning of the year. The Group's revenue was mainly denominated in RMB. After the Group took active measures to narrow down the foreign exchange exposures in 2016, exchange differences for foreign currency denominated borrowing resulting from the exchange rates fluctuation have no significant impact on the consolidated statement of profit or loss for the year. The net foreign exchange losses for the year amounted to approximately RMB28 million, compared to the net foreign exchange losses of RMB139 million for 2016.

The interest expenses and net foreign exchange losses for the year amounted to approximately RMB2.21 billion in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalised interest expenses for the year amounted to approximately RMB900 million. Since newly launched projects during the year were mostly launched in the fourth quarter, capitalised interest expenses decreased by 28.0% on a year-on-year basis. Finance costs (excluding loss on extinguishment of financial liabilities) recorded in the consolidated statement of profit or loss were approximately RMB1.31 billion, representing an increase of 70.3% on a year-on-year basis.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In 2017, the overall net contribution from associated entities attributable to the Group increased by 72.0% to approximately RMB663 million as compared to that of last year, which was mainly due to the profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In 2017, the total distributable amount of Yuexiu REIT amounted to approximately RMB826 million, representing an increase of 0.2% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB303 million.

BASIC EARNINGS PER SHARE

In 2017, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB0.1823 (2016: RMB0.1242).

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2017 of HKD0.052 per share which is equivalent to RMB0.042 per share (2016: HKD0.032 per share which was equivalent to RMB0.028 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 7 June 2018. 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 2018. Together with the interim dividend of HKD0.040 per share which was equivalent to approximately RMB0.034 per share, total dividends for the year ended 31 December 2017 will amount to HKD0.092 per share which is equivalent to approximately RMB0.076 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against 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 Group's main sources of liquidity. The Group has always adhered to prudent financial management principles, emphasised on funding management and risk control, established an ongoing monitoring system to respond to market changes, ensured healthy and adequate liquidity and secured the business development. While continuing to maintain a good relationship with commercial banks in Mainland China and Hong Kong, the Group also explores more funding channels, optimises the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

In 2017, the Group obtained new bank borrowings of approximately RMB17.80 billion, including onshore bank borrowings of approximately RMB11.60 billion and offshore bank borrowings of approximately RMB6.20 billion. As at 31 December 2017, total borrowings amounted to approximately RMB47.71 billion (31 December 2016: RMB40.29 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB20.79 billion, and the net gearing ratio was 72.8%. Borrowings due within one year accounted for approximately 18% of the total borrowings (31 December 2016: 17%); fixed-rate borrowings accounted for approximately 59% of the total borrowings (31 December 2016: 76%). Due to the Group's optimisation of the capital structure, the Group's average effective borrowing interest rate for the year further decreased by 0.34 percentage points to 4.30% per annum from 4.64% per annum for 2016.

As at 31 December 2017, among the Group's total borrowings, approximately 51% was RMB denominated bank borrowings (31 December 2016: 63%), 12% was Hong Kong dollar denominated bank borrowings (31 December 2016: 1%), 11% was Hong Kong dollar and US dollar denominated medium to long term notes (31 December 2016: 14%), 17% was RMB denominated medium to long term notes (31 December 2016: 20%), and 9% was RMB denominated borrowings from an intermediate holding company (31 December 2016: 2%).

WORKING CAPITAL

As at 31 December 2017, the Group's working capital (current assets less current liabilities) amounted to approximately RMB43.75 billion (31 December 2016: approximately RMB39.40 billion). The Group's current ratio (current assets divided by current liabilities) was 1.8 times (31 December 2016: 1.7 times). Cash and cash equivalents amounted to approximately RMB16.66 billion (31 December 2016: RMB17.69 billion). Charged bank deposits amounted to approximately RMB4.14 billion (31 December 2016: RMB4.33 billion). Undrawn committed bank facilities amounted to approximately RMB8.04 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

Set out below is a summary of the Group's debts:

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Bank borrowings and notes		
Denominated in RMB	32,576,165	33,534,214
Denominated in HKD	7,800,797	2,413,163
Denominated in USD	3,248,142	3,444,222
Total bank borrowings and notes	43,625,104	39,391,599
Borrowings from an intermediate holding company	4,083,760	901,359
Finance lease obligations	173	264
Bank overdrafts	51	53
Total debts	47,709,088	40,293,275

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Ageing analysis:		
Within one year	8,461,626	6,778,340
In the second year	11,717,282	3,964,758
In the third to fifth year	18,985,178	17,274,860
Beyond five years	8,545,002	12,275,317
Total borrowings	47,709,088	40,293,275
Less: Cash and cash equivalents	(16,655,299)	(17,691,428)
Net borrowings	31,053,789	22,601,847
Total equity	36,988,918	34,385,877
Total capitalisation	68,042,707	56,987,724
Gearing ratio	45.6%	39.7%

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2017, among the total borrowings of the Group, approximately 28.2% was floating rate bank loans denominated in Renminbi, approximately 12.4% was floating rate bank loans denominated in Hong Kong dollars, approximately 23.3% was fixed rate bank loans denominated in Renminbi, approximately 16.7% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 10.8% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars, and approximately 8.6% was fixed rate borrowings from an intermediate holding company denominated in Renminbi. In aggregate, fixed rate borrowings accounted for approximately 59% of the total borrowings of the Group. The Group did not enter into any arrangement of interest rate hedging instruments during the reporting year. The average borrowing interest rate decreased from 4.64% in 2016 to 4.30% in 2017.

With respect to onshore Renminbi loan interest rates, the People's Bank of China ("PBOC") has continually cut interest rates and reduced reserve requirement ratios (RRR) since November 2014. The one-year benchmark interest rate dropped from 5.60% to the current level of 4.35%. It is generally expected that the interest rate of Renminbi will rise moderately in 2018. Currently, the actual market interest rate has seen a marked increase as liquidity is tightening in China.

With respect to the loan interest rates of US dollars and Hong Kong dollars, as a result of recovery of US economy the US Federal Reserve raised interest rate five times in December, June, March 2017 and December 2016 and December 2015, respectively. It is expected that in 2018 the market will witness interest rate hikes two to three times by the US Federal Reserve at an aggregate range of approximately 0.5% to 0.75%. At present, there is abundant liquidity in the Hong Kong market. It is estimated that the loan interest rates of Hong Kong dollars will follow the US dollars interest rates hike with slight delay in terms of timing.

Currently, there are still uncertainties in the global economy and the financial environment and liquidity is tightening in China. The Group anticipates an upward trend in onshore Renminbi loan interest rates in 2018. On the other hand, it is expected that the US dollar loan interest rates may rise moderately and in an orderly manner with improvements in employment and annual average consumption as well as inflation reaching a given level in the United States.

The Group will continue to monitor the changes of onshore and offshore interest rates, adjust and optimise its debt structure and adopt appropriate financial instruments to manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE EXPOSURE

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to narrow down the foreign exchange exposure and reduce risk. As at 31 December 2017, approximately 23% (15% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which approximately HKD7.06 billion (equivalent to approximately RMB5.90 billion) was bank borrowings denominated in Hong Kong dollars, approximately USD500 million (equivalent to approximately RMB3.25 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB1.90 billion) was medium-to-long term notes denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the middle rate of onshore Renminbi against Hong Kong dollars rose by 6.55% as compared to the exchange rate as at 31 December 2016 and net foreign exchange losses of approximately RMB28 million was recorded in the consolidated statement of profit or loss for the year. In 2017, Renminbi remained basically flat against a basket of currencies.

Currently, the US dollar index is weak. Since the beginning of the year, the rate of Renminbi against both US dollars and a basket of currencies (0.95%) has risen, respectively. It is generally estimated for Renminbi to fluctuate in two-way against the US dollars in 2018 and remain basically flat throughout the year.

The Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, control its foreign exchange exposure, adjust and optimise its debt structure. The Group will use suitable financial instruments at reasonable costs to manage its foreign exchange exposure.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2017, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB1.27 billion (31 December 2016: RMB1.85 billion).

CONTINGENT LIABILITIES

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. As of 31 December 2017, total contingent liabilities relating to these guarantees amounted to approximately RMB8.43 billion (31 December 2016: RMB11.30 billion).

As at 31 December 2017, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB450 million (31 December 2016: RMB2.61 billion) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB49 million was utilised and guarantee of approximately RMB401 million was not utilised yet.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 7,280 employees (30 June 2017: 6,950 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. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both of which will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcement dated 2 December 2016 and 17 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

To better integrate the concept of social responsibility into the Group' s strategies and decisions and to further direct its social work practice, the Group set up a ESG Work Leading Group led by the management. Under its guidance, the Group has established a social responsibility management system that conforms to its own business development and integrated environment protection and social responsibility into development strategies. The Group complies with the relevant environmental laws and regulations, sets out relevant environmental policies, meanwhile adopts effective measure to achieve energy saving and emission reduction as well as waste disposal, so as to minimize wasting and increase recycling. It has also encouraged staffs to coordinate actively to jointly realize the sustainable development of the Group. The Group regards governmental authorities, the media, shareholders and potential investors, customers, staffs, suppliers and communities as the important stakeholders. For the sake of the mission of social responsibility and the core values, the Group actively pays attention to the appeals from the stakeholders, conducts timely communication and appropriate response and formulates tackling measure during business operation process. By communication and coordination with the stakeholders, the Group pays active attention to the stakeholders' expectation on environmental, social and governance areas, so as to achieve high-quality, effective and sustainable growth. For more information about the environmental, social and governance performance of the Group during the reporting year, please refer to the forthcoming independent environmental, social and governance reports to be issued. Welcome to read or download the report on the Group' s website upon its issuance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain loan agreements of the Company and its subsidiary ("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 2017, the aggregate balance of the loans provided in Renminbi was approximately RMB8,469,716,000. Such Loan Agreements will expire from 16 December 2018 to 26 October 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

On 24 January 2013, the Company issued USD350 million 3.25 per cent. notes due 2018（the「2018 Notes」）and USD500 million 4.50 per cent. notes due 2023（the「2023 Notes」）to investors under a USD2,000 million medium term note programme established on 11 January 2013. The Company has completed the redemption and cancellation of all the 2018 Notes. Since 17 August 2016, there are no outstanding 2018 Notes in issue. With effect from 29 December 2016, (i) the Company has substituted in its place Leading Affluence Limited, a wholly-owned subsidiary of the Company, as the issuer and the principal debtor in respect of the 2023 Notes; and (ii) the 2023 Notes are unconditionally and irrevocably guaranteed by the Company. 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 2017.

PORPERTY DEVELOPMENT

REGION	Proportion	GFA (sq.m.)
Guangzhou	**38.9%**	**6,338,200**
Pearl River Delta (excluding Guangzhou)	**11.3%**	**1,835,700**
Zhongshan	1.0%	158,600
Jiangmen	6.3%	1,026,700
Foshan	4.0%	650,400
Yangtze River Delta	**22.8%**	**3,705,600**
Hangzhou	16.7%	2,717,800
Suzhou	6.1%	987,800
Central Region	**15.2%**	**2,474,400**
Wuhan	15.2%	2,474,400
Bohai Rim Region	**10.8%**	**1,746,000**
Yantai	1.3%	215,000
Shenyang	4.0%	645,200
Qingdao	5.5%	885,800
Hainan	**0.6%**	**100,400**
Haikou	0.6%	**100,400**
Hong Kong	**0.4%**	**73,400**
TOTAL	**100%**	**16,273,700**

DEVELOPMENT STAGE	Proportion	GFA (sq.m.)
PUD	51.1%	8,323,400
PFD	48.9%	7,950,300

PORPERTY DEVELOPMENT

PORPERTY DEVELOPMENT

GUANGZHOU

NANSHA SOUTHERN LE SAND

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 1,357,200 SQ.M.

Located in Nansha District of Guangzhou, Nansha 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. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, and super 5-star hotels, etc. Benefitting from favourable policies in recent years, the Nansha District has become a state-level new area, part of Guangdong Free Trade Zone and the "Secondary City Centre"of Guangzhou, which will boost the growth of new strategic industries within the area and set a promising future for Southern Le Sand.

NANSHA BINHAI NEW TOWN

RESIDENTIAL PROJECT
LANDBANK GFA: 1,000,400 SQ.M.

Nansha Binhai New Town (南沙濱海新城) is located in the Jiaomen River downtown of Nansha District, Guangzhou City, which is focused on the development of urban service functions with a range of major municipal facilities on plan, including hotels and hospitals. Nansha Binhai New Town is expected to comprise 38 high-rise apartment buildings with integrated kindergarten, primary school and middle school. The project will also be equipped with community commercial and sports facilities such as a plastic annular track and a swimming pool. It is adjacent to the Jinzhou commercial district, the most mature one in Nansha at present, representing tremendous room for value growth.

PORPERTY DEVELOPMENT

GUANGZHOU STARRY HAIZHU BAY

RESIDENTIAL AND COMMERCIAL PROJECT

LANDBANK GFA: 771,400 SQ.M.

Guangzhou Starry Haizhu Bay (廣州星匯海珠灣) 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 Guangfo Metro Line Phase 2, as well as Nanshi Lu Station of Metro Line 11 which is under construction. 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.

GUANGZHOU STARRY SKY CITY

RESIDENTIAL PROJECT

LANDBANK GFA: 688,100 SQ.M.

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.

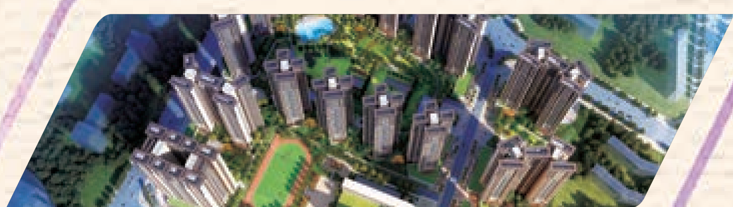
PORPERTY DEVELOPMENT

FOSHAN

FOSHAN LINGNAN JUNTING

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 22,800 SQ.M.

Foshan Lingnan Junting (佛山嶺南雋庭) is located at the junction of Tongji Road and Lingnan Avenue in Chancheng District, Foshan City. The project sits at the core of Foshan within the city's central axis area in close proximity to the Tongji Road and North Pujun Road stations of Foshan Metro No.1. It will be developed into a major Lingnan style complex, comprising standalone commercial buildings, Grade-A office buildings, Lingnan style residences, apartments, and commercial blocks.

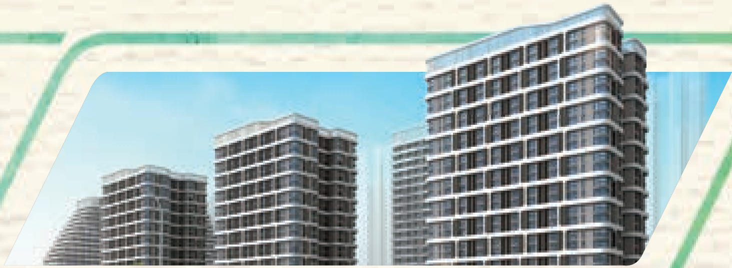


FOSHAN NANHAI SHANGHAI VILLAGE PROJECT

RESIDENTIAL PROJECT
LANDBANK GFA: 548,100 SQ.M.

The Foshan Nanhai Shanghai Village Project (佛山南海上海村項目) is located in Guicheng Area, Nanhai District, Foshan City between the core areas of Guangzhou and Foshan with a maturing commercial and residential environment. It sits at the junction of Guiping Road and Shenhai Road, easily accessible through the First Ring Expressway of Foshan. The project is planned to be developed into 22 high-rise residential buildings with a kindergarten and a primary school, while retail space at lower floors will be built into supportive commercial areas for leisure and dining to meet the needs of owners in the community.

ZHONGSHAN & JIANGMEN



ZHONGSHAN STARRY PEAKFIELD

RESIDENTIAL PROJECT
LANDBANK GFA: 158,600 SQ.M.

Zhongshan Starry Peakfield (中山星匯品峰) is located in the south of Bo'ai Road in Eastern Zhongshan, adjacent to the South Outer Ring Road and the Beijing-Zhuhai Expressway, enjoying convenient transportation. The project comprises high-rise residential buildings and major commercial facilities, highlighting the value for its suitability for both residential and commercial purposes. In close proximity to the Bo'ai Hospital and primary and middle schools, it enjoys mature supporting facilities for healthcare and education. The project will be built along the mountain, benefiting from good day-lighting and ventilation. Combined with the waterscape gardens and broad space between buildings, as well as a modern architectural design, it will meet the demand for high living quality.

JIANGMEN HESHAN STARRY REGAL COURT

RESIDENTIAL PROJECT
LANDBANK GFA: 419,700 SQ.M.

Jiangmen Starry Regal Court (江門鶴山星匯名庭) (formerly Jiangmen Heshan Yayao Land 1 & 2) is superiorly located in Heshan, Jiangmen City at the junction of the Eastern New Town and the traditional commercial district. The project benefits from convenient transportation due to its proximity to Heshan Avenue, a trunk road of the city. It is planned to comprise high-rise residential buildings, villas, skip floor apartments and street shops, with a view to building a quality comfortable and livable product by combining a point block layout with new Chinese gardens.

PORPERTY DEVELOPMENT

HANGZHOU & SUZHOU

HANGZHOU STARRY CITY

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 1,327,400 SQ.M.

Hangzhou Starry City (杭州星匯城) is located in the Qingshan Lake Science and Technology Town of Hangzhou City, Zhejiang Province. It will be an urban complex with high-end residential units, villas, 5-star hotels, grade-A offices and a large-scale shopping mall. The project is adjacent to the Science and Technology Town station of Inter-city Railway, which is under construction, and is easily accessible. It enjoys a scenic natural environment with improving supporting facilities, such as kindergarten, primary school and middle school. The project is located in the Qingshan Lake Science and Technology Town, which is an important construction for Zhejiang Province to establish a province with outstanding science and technology and innovation. Qingshan Lake Science and Technology Town attracts a number of science and research institutions, high and new technology enterprises and talents of research & development as well as actively develops modern service and comprehensive living project, which brings tremendous development opportunities to Hangzhou Starry City.

HANGZHOU GENBEI NEW TOWN WEST PROJECT

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 360,700 SQ.M.

Located in Genbei New Town, Jianggan District, Hangzhou, Zhejiang, the Hangzhou Genbei New Town West Project (杭州艮北新城西項目) is easily accessible in close proximity to the Qibao station of Hangzhou Metro Line No.1 as well as the east-west main trunk road of Genbei New Town. Positioned as a large high-end multi-purpose complex in the urban area, the project benefits from rich education resources and a planned park in the neighborhood, which will provide excellent landscape resources for leisure. Genbei New Town, which is home to the project, is an important area for Hangzhou's urban expansion towards the east, and will be built into a new commercial center and a major residential area in Jianggan District with huge potential for future development.

PORPERTY DEVELOPMENT

HANGZHOU LIN'AN BINHU NEW DISTRICT PROJECT

RESIDENTIAL PROJECT

LANDBANK GFA: 234,000 SQ.M.

Hangzhou Lin'an Binhu New District Project (杭州臨安濱湖新區項目) is located in the Binhu New Area, the core of Lin'an District, Hangzhou. It is easily accessible and adjacent to the Nonglin University station of Hangzhou-Lin'an Inter-city Railway, which is under construction. The project is close to major commercial complexes and the Qingshan Lake National Forest Park, enjoying excellent living and ecological landscape resources. In 2017, Lin'an has become a district of Hangzhou City instead of a county-level city, which will further drive the urbanization of the area that houses the project, supporting its future development.

SUZHOU TAICANG XIANGDONG ISLAND PROJECT

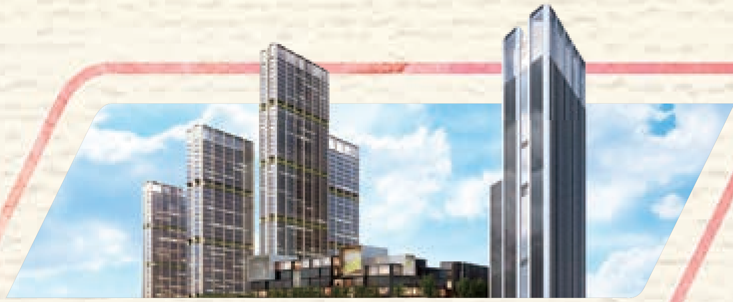
RESIDENTIAL PROJECT

LANDBANK GFA: 987,800 SQ.M.

Located at the junction of Taicang City, Suzhou, Jiangsu and Jiading District, Shanghai, the Suzhou Taicang Xiangdong Island Project (蘇州太倉向東島項目) benefits from a prime location and the spillover effect of the purchasing power of Shanghai buyers. It enjoys convenient transportation, being about 9 kilometres away from the North Jiading Station of Shanghai Metro Line No.11 and 2 kilometres away from the G15 Expressway exit in Taicang urban area. The project is surrounded by water and will be developed into low-density comfortable products by leveraging on its unique natural atmosphere of island living formed by a beautiful environment and rich landscape resources.

PORPERTY DEVELOPMENT

WUHAN & SHENYANG



WUHAN INTERNATIONAL FINANCIAL CITY

RESIDENTIAL AND COMMERCIAL PROJECT

LANDBANK GFA: 778,100 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, Jianghan 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.

WUHAN STARRY MOUNTAIN

COMMERCIAL PROJECT

LANDBANK GFA: 57,600 SQ.M.

Wuhan Starry Mountain (武漢越秀星悅峯) (previous name: Wuhan Wuchang Zhongbei Road Land) is located at the junction of Zhongbei Road and Qinyuan Road of Wuchang District, Wuhan City, Hubei, enjoying mature supporting facilities in the Wuchang Inner Ring core area. The project is near Sha Lake with open lake view. The plot is adjacent to the Dongting Station of Wuhan Metro Line No. 4, benefiting from convenient transportation, and the neighborhood is planned to be the cluster of financial institution headquarters in Wuhan, creating significant advantage and high potential for growth.

WUHAN YUEXIU PARADISO

RESIDENTIAL PROJECT
LANDBANK GFA: 214,600 SQ.M.

Wuhan Yuexiu Paradiso (武漢越秀逸境) sits at Quanli First Road of Wuhan Economy and Technology Development Zone in proximity to Houguan Lake with superior natural view. The project is planned to be developed into 14 high-rise residential buildings with established education and healthcare facilities to meet the needs of owners in the community. The plot is easily accessible and adjacent to tram stations. Wuhan Economy and Technology Development Zone has become a multi-function integrated area led by automobiles, parts and components, electronics and electric appliances manufacturing. It is an important cluster for foreign enterprises operating in China as well as an important powerhouse for economic growth in Wuhan and Hubei, creating distinct advantage and huge growth potential for the project.

SHENYANG STARRY WINKING

RESIDENTIAL PROJECT
LANDBANK GFA: 383,600 SQ.M.

Shenyang Starry Winking (瀋陽星匯雲錦) sits at the junction of Nanta Street and Shenshui Road at the heart of Shenhe District, Shenyang City, Liaoning. It enjoys superior natural landscape from Wuli River Park and Hun River, Shenyang's biggest river park in the south, which offers open and broad views. The project is adjacent to the Wuli River commercial district with a strong business atmosphere. It also benefits from a full range of quality educational resources from nearby kindergartens, primary and middle schools. The project is planned to comprise 14 apartment buildings, with a view to building a benchmark for luxury residence in Shenyang by living up to the high standards set by Yuexiu Property for its Starry Winking product line.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS REPORT

In 2017, the Group formulated effective communication and recommendation strategies of investor relations in response to changes in the capital market. Through efficient and accurate communication, it disseminated information such as business performance and the latest developments to shareholders and investors, further deepening investors' understanding on the Group.

The investor relations team also reinforced efforts to provide the Board and the management with feedback from investors so that they could better understand investors' opinions on the Group. Meanwhile, executive directors and senior management of the Group also listened to opinions of shareholders and investors directly through attending various investor relations activities. The Board also listened to reports on investor relations regularly, on the ways to strengthen communication of information and enhance transparency. Through the above efforts, reference was provided to the Board and the management for the formulation of future operation strategies, hence better creating value for shareholders.

The Group maintained close communication with its shareholders and investors, released and delivered important information about the Group's operations and development on a timely and accurate basis in various manners such as through roadshows, investment conferences held by investment banks, one-on-one meetings, conference calls as well as site visits to projects in order to strengthen investor's understanding of the Group and establish a good market image. During the year, the Group had organised or participated in more than 100 meetings and events on investor relations. In addition, in the context of the launch of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", the Group also strengthened its expansion in the domestic capital market, increased performance roadshow activities in Mainland China, and attended strategic meetings held by domestic securities firms, so as to further widen the breadth of publicity and promotion.

INVESTOR RELATIONS REPORT

2017 MAJOR INVESTOR RELATIONS ACTIVITIES

Month	Venue	Activity
February	Hong Kong	Yuexiu Property 2016 Annual Results Announcement Conference
February	Hong Kong	Yuexiu Property 2016 Annual Results NDR
March	Singapore	Yuexiu Property 2016 Annual Results NDR
April	Tokyo	Yuexiu Property 2016 Annual Results NDR
March	Hong Kong	Credit Suisse 20th Asian Investment Conference
April	Hong Kong	UBS's China & Hong Kong Property Summit 2017
May	Shanghai	Yuexiu Property 2016 Annual Results NDR
May	Shenzhen	Yuexiu Property 2016 Annual Results NDR
June	Hong Kong	Yuexiu Property Annual General Meeting
June	Beijing	Morgan Stanley 3rd China Summit
June	Beijing	JP Morgan 13th Annual Global China Summit
June	Hong Kong	Citi's Asia Pacific Property Conference
June	Guangzhou	Analysts Site Visit Tour and Management Meeting
August	Hong Kong	Yuexiu Property 2017 Interim Results Announcement Conference
August	Hong Kong	Yuexiu Property 2017 Interim Results NDR
September	Singapore	Yuexiu Property 2017 Interim Results NDR
September	Shenzhen	Yuexiu Property 2017 Interim Results NDR
October	Greater Bay Area	Sell-side Analysts' Tour to the Greater Bay Area
November	Macau	Citi China Investor Conference 2017
November	Singapore	Morgan Stanley 16th Annual Asia Pacific Summit
November	Shanghai	Xingye Securities 2018 Strategy Meeting
November	Shenzhen	China Merchants Securities 2018 Annual Strategy Meeting

For any enquiries, please send Emails 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 2017
Social Responsibility Best Initiative Award 2017
The Asset Magazine

List Company Award of Excellence 2017
Hong Kong Economic Journal, PR Asia

Best IR in Corporate Transaction (Mid Cap)
Hong Kong Investor Relations Association

China Excellent Real Estate Corporation Awards 2017
China Excellent Real Estate Corporation Awards Commission

Best Listing Company Investor Relations Award 2017
China Financial Market Magazine

Best in ESG Awards (Mid Cap)
Best in ESG Reporting Awards (Mid Cap)
BDO

Most Valuable Real Estate Listed Company 2017
Zhitongcaijing.com

Social Value Enterprise Award
Anjuke

Social Responsibility Enterprise Award – Guangzhou Yuexiu Elderly-Care Investment Holding Co., Ltd.
Guangdong Elderly-Care Services Association

Desirable Hotel Award at Cantonese Business Elites 2017 – Guangzhou Nansha Yuexiu Sheraton Hotel
Guangzhou Daily

The Group's Annual Report for the Year of 2016 Was Awarded:
ARC Annual Report Awards – Cover Photo/Design: Real Estate Development: Silver Winner
ARC Annual Report Awards – Traditional Annual Report: Real Estate Development: Bronze Winner
Mercury Annual Report Awards – Overall Presentation: Housing Dev. & Sales: Bronze Winner
MERCOMM, INC.

LACP Vision Awards – Property Development Industry: Bronze Award
LACP

IADA - Design Concept – Interior Design: Real Estate Development: Silver Winner
IADA - Design Concept – Cover Design: Real Estate Development: Bronze Winner
IADA

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhang Zhaoxing, aged 54, 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 ("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 55, 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 and 15th session of the Guangzhou City People's Congress.

Mr Lin Zhaoyuan, aged 48, was appointed Vice Chairman, executive director and General Manager of the Company in November 2015. Mr Lin is also chairman and non-executive director 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 from Sun Yat-sen University and the qualification of mechanical engineer. He had been chairman of the board of directors of Guangzhou Paper Group Limited, an assistant to general manager and a deputy 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 very forward-looking and innovative in corporate operations and management.

DIRECTORS' PROFILES

Mr Li Feng, aged 49, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of Guangzhou Yue Xiu and Yue Xiu and oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system. Mr Li is also a director of GZCCD. He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (formerly known as "Guangzhou Friendship Group Co., Ltd."), a company listed on the Shenzhen Stock Exchange (Stock Code: 987). 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 and Yue Xiu; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

Ms Chen Jing, aged 46, was appointed executive director of the Company in July 2017. Ms Chen is the chief financial officer of the Company. She is the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. She is also the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Ms Chen graduated from the Xi'an Jiaotong University with a major in auditing, and holds a master of business administration degree from the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office and the general manager of the audit department. Ms Chen has participated in building a system to monitor the major risks of Guangzhou Yue Xiu. Ms Chen is well versed in risk management and internal control management of listed companies and has extensive experience in establishing a sound system for risk management and internal control for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in School of Business of Hubei University and Hisense Kelon Electrical Holdings Company Limited (formerly known as "Guangdong Kelon Electrical Holdings Company Limited").

DIRECTORS' PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 70, 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 63, 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), Medicskin Holdings Limited (Stock Code: 8307) and Ever Harvest Group Holdings Limited (Stock Code: 1549). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 70, 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. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport, Joy City Property 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, Chu & Lau Nominees Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., 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). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

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 2017, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term and attendance of chairman of the Board of the general meeting under Code Provision A.4.1 and E.1.2 respectively, 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.

CORPORATE GOVERNANCE REPORT

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 five executive directors and three independent non-executive directors during the year ended 31 December 2017.

For a list of directors during the year ended 31 December 2017 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 2017, 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.

Code Provision E.1.2 stipulates that chairman of the board should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2017 due to his official duty called. The chairman and other members of Audit Committee and Remuneration Committee and other members of Nomination Committee attended the annual general meeting.

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 arranged training programmes and provided training materials to the Directors with an emphasis on national economic landscape and financial regulatory trends, risk management and internal control, industry and finance integration and corporate governance etc. 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**
Executive Directors		
Zhang Zhaoxing	√	√
Zhu Chunxiu	√	√
Lin Zhaoyuan	√	√
Li Feng	√	√
Chen Jing	√	√
Ou Junming (resigned with effect from 17 July 2017)	√	√
Independent Non-Executive Directors		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

CORPORATE GOVERNANCE REPORT

Board Meetings

Number of Meetings and Directors' Attendance

In year 2017, the Board held 6 meetings and approved matters by way of written resolutions circulated to them (in total of 25 times) in between the meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Meetings	
	Board Meetings	General Meetings
Executive Directors		
Zhang Zhaoxing	**4/6**	2/2
Zhu Chunxiu	**4/6**	2/2
Lin Zhaoyuan	**6/6**	2/2
Li Feng	**5/6**	2/2
Chen Jing	**2/2**	N/A
Ou Junming (resigned with effect from 17 July 2017)	**3/3**	2/2
Independent Non-Executive Directors		
Yu Lup Fat Joseph	**5/6**	2/2
Lee Ka Lun	**5/6**	2/2
Lau Hon Chuen Ambrose	**6/6**	2/2

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 director 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 while the position of General Manager is held by Mr Lin Zhaoyuan.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. 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, the internal audit function and associated procedures.

CORPORATE GOVERNANCE REPORT

The Audit Committee held 2 meetings during the year ended 31 December 2017 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**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**2/2**
Lee Ka Lun	**2/2**
Lau Hon Chuen Ambrose	**2/2**

Remuneration Committee

The Remuneration Committee comprises 3 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	**Meeting Attended**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**
Executive Director	
Zhang Zhaoxing	**1/1**

One meeting was held in 2017 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 2 executive directors and 3 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	**Meeting Attended**
Executive Directors	
Zhang Zhaoxing	**1/1**
Zhu Chunxiu	**1/1**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**

The Nomination Committee held one meeting during the year ended 31 December 2017 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 2017.

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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and 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 2017, 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 2017.

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 2017 amounted to approximately RMB6,000,000 and RMB2,000,000 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, losses 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.

For the year ended 31 December 2017, 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.

CORPORATE GOVERNANCE REPORT

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 2017, 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 2017.

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 173 to 188.

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 statement of profit or loss on page 86.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2017. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.040 equivalent to RMB0.034 per ordinary share paid on 16 November 2017	422,279
Proposed final dividend of HKD0.052 equivalent to RMB0.042 per ordinary share	520,855
	943,134

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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 29 May 2018, 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 Wednesday, 23 May 2018.

In addition, the register of members of the Company will be closed from Tuesday, 5 June 2018 to Thursday, 7 June 2018, 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 Monday, 4 June 2018.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB9.67 million.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2017 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, Management Discussion and Analysis, the Corporate Governance Report, this Report of the Directors and Investor Relations Report. The environmental, social and governance report to be issued by the Company will also contain the Group's environmental policies and performance.

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 RMB900 million (2016: RMB1,428 million).

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB1,043 million (2016: RMB923 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	
Mr Li Feng	
Ms Chen Jing	(appointed with effect from 17 July 2017)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	
Mr Ou Junming	(resigned with effect from 17 July 2017)
Mr Ou Shao	(resigned with effect from 13 January 2017)

* *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 Lin Zhaoyuan, Li Feng and Yu Lup Fat, Joseph 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. Ms Chen Jing will retire in accordance with Article 98 of the Company's Articles of Association at the general meeting proposed to be held in March 2018 and, being eligible, offer herself 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 and up 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.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	On 29 October 2014, 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 HKD300 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 The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019 The Company entered into a new bank deposits master agreement with Chong Hing Bank on 16 May 2017 to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB4,000 million, RMB5,500 million and RMB7,000 million for the years ending 31 December 2017, 2018 and 2019, respectively	The aggregate balance of bank deposits amounted to RMB943,692,000 as at 31 December 2017 The highest daily aggregate amount of bank deposits during the year ended 31 December 2017 amounted to RMB3,568,340,000

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
30 November 2015	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 for a term of three years commencing from 1 January 2016 to govern the leasing of the lease properties in relation to Yuexiu Financial Tower to Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries) The aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB49,000,000, RMB72,000,000 and RMB75,000,000 for the years ending 31 December 2016, 2017 and 2018 respectively	RMB17,233,507
29 November 2016	Chong Hing Bank	A fellow subsidiary	The Company entered into a framework agreement with Chong Hing Bank setting out the maximum aggregate absolute amount of fair value at inception of the foreign exchange transactions recorded as assets/ liabilities would not exceed HKD13,000,000, HKD17,000,000 and HKD20,000,000 for the years ending 31 December 2016, 2017 and 2018, respectively	HKD6,748,338

REPORT OF THE DIRECTORS

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the aforesaid 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 aforesaid 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 aforesaid 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.

On 26 June 2017, the Group signed a sale and purchase agreement to dispose of certain commercial units located in Liwan District, Guangzhou City to 廣州越秀發展集團有限公司 (Guangzhou Yuexiu Development Group Co., Limited) ("GYD") for a total consideration of RMB448,007,700. GYD is a wholly-owned subsidiary of Guangzhou Yue Xiu and is therefore a connected person of the Company.

On 31 August 2017, the Group entered into an asset transfer agreement to dispose a hotel in Conghua District, Guangzhou City to 廣州雅城房地產開發有限公司 (Guangzhou Yacheng Real Estate Development Limited) ("Yacheng") for a total consideration of RMB199,256,500. Yacheng is a indirectly wholly-owned by Guangzhou Yue Xiu and is therefore a connected person of the Company.

An application was made by 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.) (the "Issuer") to the Shanghai Stock Exchange in respect of the proposed public issuance of the guaranteed interest-bearing corporate bonds with an aggregate principal amount of up to RMB7,000,000,000 (the "Proposed Issuance"). On 15 December 2017, in connection with the Proposed Issuance, the Issuer and 廣州證券股份有限公司 (Guangzhou Securities Co., Ltd.) ("GZ Securities") entered into an Underwriting Agreement, pursuant to which the Issuer engaged GZ Securities to act as the lead underwriter in respect of the Proposed Issuance. GZ Securities is an indirect subsidiary of Guangzhou Yue Xiu and is therefore a connected person of the Company.

Certain properties (as defined in the announcement dated 25 December 2017) of the Group were sold to independent purchasers and the balance of the consideration payable was RMB190,000,000 ("Purchase Price Balance"), 廣州越秀小額貸款有限公司 (Guangzhou Yuexiu Microcredit Company Ltd.) ("YXSL") offered loans in the aggregate amount equal to the Purchase Price Balance to the independent purchasers and their nominees for the purpose of financing such payment obligations of the independent purchasers. On 25 December 2017, the Group and YXSL entered into a sales loan cooperation agreement, pursuant to which the Group agreed to provide in favour of YXSL a guarantee for certain independent purchasers' payment and guarantee obligations in relation to loans under the relevant loan agreements in the aggregate amount equal to the Purchase Price Balance. YXSL is owned as to 30% by Guangzhou Yuexiu Financial Holdings Group Co., Ltd., which is in turn a non-wholly owned subsidiary of Guangzhou Yue Xiu, and is therefore a connected person of the Company.

Announcement in respect of the transactions were published in accordance with the Listing Rules.

REPORT OF THE DIRECTORS

Rental expenses and property management fees disclosed in note 45 (b)(I) 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. Interest expense disclosed in note 45 (b)(I) constitutes exempt connected transactions pursuant to the Listing Rules. Administrative services fee received from a related party constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2017, 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 Lin Zhaoyuan	Beneficial owner	373,464	0.003
Mr Li Feng	Beneficial owner	172,900	0.001
Mr Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.032
Mr Lee Ka Lun	Beneficial owner	3,200,000	0.026
Mr Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039

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 Lin Zhaoyuan	Beneficial owner	120	0.00001
Mr Lau Hon Chuen Ambrose	Beneficial owner	195,720	0.012

Save as disclosed herein, as at 31 December 2017, 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 2017, 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 2017, 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 2017, 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.

REPORT OF THE DIRECTORS

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, 28 February 2018

RISK MANAGEMENT REPORT

I. RISK MANAGEMENT CONCEPT

Risks of the Group refer 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 operation and management of the group, identifies the potential items that may affect the Group and manages risks within the range of risk appetite so as to provide reasonable assurance for achieving the goals of the Group.

II. RISK APPETITE

The Group will continue to implement the "active, stable and balanced" overall risk appetite policy, 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 and liquidity risks. The Group manages financial and liquidity risks through indicators including gearing ratio, the ratio of funds return to signed contracts, cash ratio in total assets and cash flow gap;

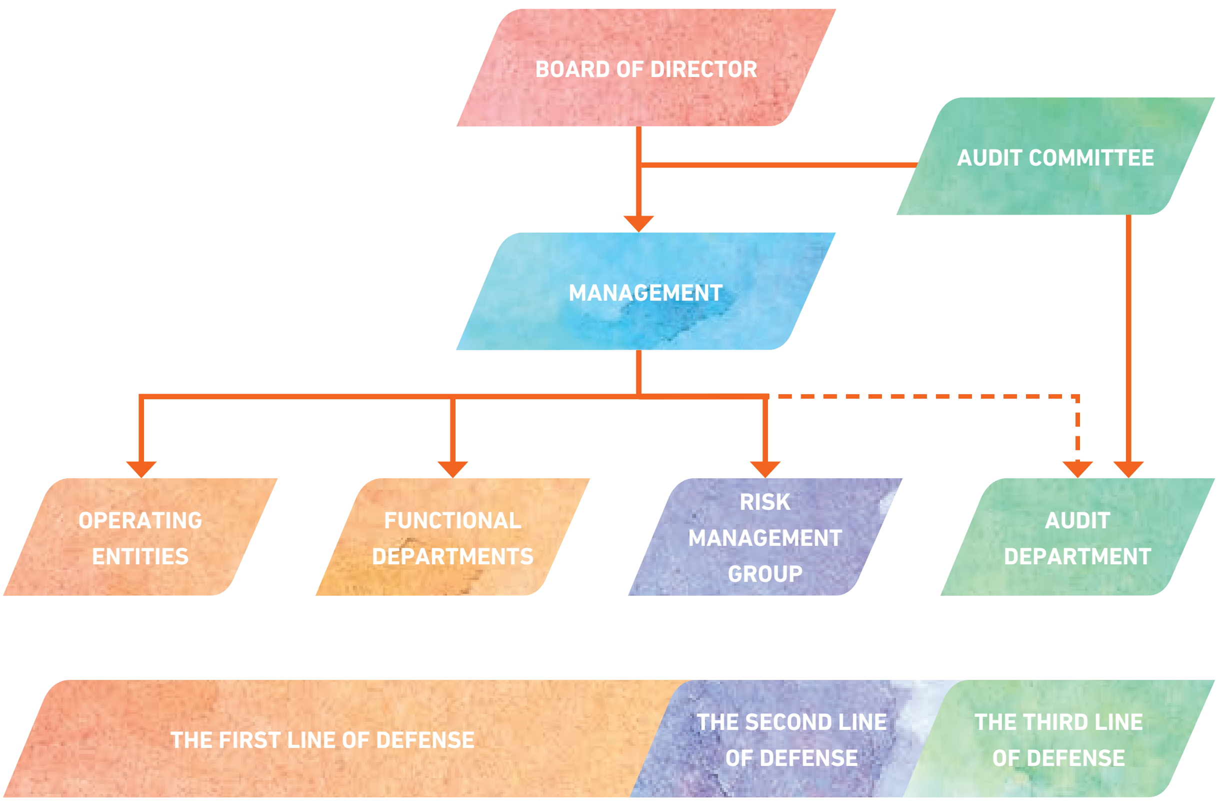
2. Market risk. The Group manages market risks through the financing costs indicator;

3. Operation risk. The Group manages operation risks by improving its internal control system and enhancing the accountability of risk incidents;

4. Reputational risk. The Group manages reputational risks through customer satisfaction and other indicators;

5. Strategy risk. The Group manages strategy risks through review of effect of strategy implementation.

III. RISK MANAGEMENT ORGANISATIONAL STRUCTURE



RISK MANAGEMENT REPORT

The risk management organisational structure of the Group comprises: the Board of Directors (and its Audit Committee), the senior management, functional departments in head office and the subsidiaries, the Risk Management Group and the Audit Department.

1. The Board of Directors (and its Audit Committee) is the governing body for comprehensive risk management tasks of the Group and is ultimately responsible for the overall risk management and internal control systems. It is responsible for reviewing the effectiveness of their operation on a regular basis. Its purpose is to manage rather than to eliminate risks of failure to meet business objectives, and to strive to ensure that no major misrepresentation or loss will occur. Its major responsibilities include reviewing and approving the overall organization structure and their terms of reference of risk management, formulating the overall objectives and requirements of risk management, reviewing and approving annual risk appetite policy and various risk management reports.

2. The senior management is responsible for organizing daily risk management and deciding on risk management matters subject to the authorisation of the Board of Directors. Its main responsibility is to implement and promote the task to establish a comprehensive risk management system of the Company.

3. All functional departments in the head office and the subsidiaries are the first lines of defense in risk management, discharging their respective duties of risk management during business management. They are the risk bearer and the chief risk supervisor, being responsible for implementation of specific risk management.

4. The Risk Management Group represents the second line of defense of risk management, responsible for the collaboration, summarizing and reporting of overall risk management, coordinating formulation of risk appetite, risk management systems and policies of the Group, summarizing and monitoring the risk exposure and management of all business areas and regularly reporting to the senior management, all as organised by the senior management. In addition, it is responsible for pushing the first line of defense to continuously improve risk management and control measures, constantly promoting the enhancement of the Group's risk management level, researching on advanced risk management concepts and tools, and giving professional advice for major risk decision-making matters.

5. The Audit Department is the third line of defense with independence and objectiveness. It 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, and constantly monitoring the compliance of handling and dissemination of inside information. It is also responsible for reporting severe internal errors to the senior management and Board of Directors, and enforcing the relevant organizations to rectify and improve in time.

IV. RISK MANAGEMENT PROCEDURE

The Group carries out risk identification and evaluation in respect of the impact on operation efficiency, sustainable development capability and reputation 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. On this basis, risk management strategies and response plans are designed in respect of major risks so as to raise the management and control standard and such strategy and plans are implemented in the ordinary course of business.

1. Collection of Initial Risk Management Information

All functional departments in the head office (such as the strategic investment centre, the finance (banking) department, the marketing centre, etc.) and the subsidiaries continue to collect in their daily operation risk-related internal and external information, including historical data, future forecasts and risk loss cases occurred in relevant enterprises within and outside China, with focus on monitoring risks and risk performance that affect achievement of objectives of the Company; conduct dynamic management of risk information; identify risks associated with the functions or business of their own units based on risk information collected for business and submit the same to the Risk Management Group in the head office as required; the Risk Management Group carries out professional analysis, screening, refinement and aggregation of risk information identified and reported by all units, set up the risk library of the Company and reports risk identification results to the senior management.

2. Risk Evaluation

The Risk Management Group carries out assessment of all kinds of risks identified based on the risk types and the actual needs of risk management with reference to risk assessment criteria and in dimensions such as possibilities of risk occurrence and the degree of impact of risk occurrence. Assessment methods include qualitative and quantitative methods: qualitative methods can be in forms of questionnaires, consultation with experts and interviews with the management, while quantitative methods can be in forms of statistical inference, computer simulation and event tree analysis.

In assessing a number of specific risks, the Risk Management Group, in accordance with the level of possibility of risk occurrence and the extent of its impacts on business development objectives, conducts risk comparison to identify the focus of concern of risk management and the priorities of management. Implementation of risk assessment is in the form of a combination of periodic assessments and routine assessments. Under normal circumstances, risk assessment is carried out on an annual basis. In cases of significant changes such as restructure of organization structure, change in business model and change in management model, or significant change in external environment and economic policies, risk assessment of particular areas or topics can be carried out in light of the circumstance.

RISK MANAGEMENT REPORT

3. Formulation of Risk Management Strategies

The Risk Management Group prepares an annual risk appetite policy every year and reports the same to the senior management for their review and submits to the Board of Directors for its approval. The policy is eventually communicated to various departments and business lines for implementation through setting different levels of risk appetite indicators. Quantitative indicators that accurately reflect risk factors and appropriate management strategies are developed for various risks. 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 more significant impact, prudent risk management strategies such as risk avoidance and risk transfer are adopted to reduce or prevent losses arising from risks.

4. Improvement of Risk Management Measures

The Group has sound procedures and mechanisms for monitoring implementation of the annual risk appetite policy. The Board of Directors approves an annual risk appetite policy on annual basis and determines overall targets and requirements for the risk management. The senior management are responsible for organising the implementation of the risk appetite policy by various divisions of the head office and the subsidiaries, setting up various risk appetite indicators for departments in charge and their management duties on the operation of indicators; The Risk Management Group collects data about risk appetite on a regular basis, conducts in-depth analysis for indicators not operating normally, and makes improvements through corresponding management measures. All functional departments of the head office and the subsidiaries are responsible for monitoring various specific risks and working out risk management measures in respect of major risks, including specific objectives of risk management, requirement for organisational leadership and human and financial resources, management and business processes in question, risk management tools and concrete countermeasures applied thereto.

5. Supervision and Improvement

The Audit Department is responsible for monitoring effectiveness of risk management and internal control systems. On one hand, risk management and evaluation of internal control are conducted on a regular basis, and whether the risks borne by the Company deviates from the Company's risk appetite is objectively determined through analysis of the types and characteristics of risks encountered by the Company and the Company's business operation activities. On the other hand, other departments and subsidiaries are coordinated to conduct regular evaluations of various types of risks, comment and give feedback with respect to risks in the business and under management and appropriateness of risk management. Eventually, the Audit Department summarised and reported the findings to the senior management and the Board of Directors; risk management measures will be adjusted as and when necessary to enhance the effectiveness of internal control measures.

RISK MANAGEMENT REPORT

V. PROCEDURES AND INTERNAL CONTROL MEASURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and strictly complying with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

VI. MAJOR RISK MANAGEMENT INITIATIVES IN 2017

For optimising the risk management system, the Group set up and continued to improve a system to manage its risk appetite and a mechanism for formulation of the annual risk appetite policy and management of supportive measures. A closed-loop management was formed through monitoring, feedback and assessment to ensure the achievement of overall business objectives of the Company. Identification and evaluation of major risk was strengthened as well as the internal audit on core business procedures such as investment, procurement by bidding and tender, management, marketing and settlement of construction work was enhanced. Cooperation and interaction between risk management functions and internal audit functions was promoted and the strength of the risk management system was built up.

For financial and liquidity risks, the Group arranged a reasonable match of assets and liabilities denominated in foreign currency, reviewed foreign exchange exposures regularly and carried out stress testing and assessment, in order to reduce and control the impact of exchange rate fluctuations on its profit and loss. To ensure financial security, financial resources were integrated through the optimised fund management processes while receivables management were further strengthened.

For market risk, the Group optimised its overall capital costs through making reasonable project funding arrangement and broadening financing channels.

For operation risks, the Group reduced risk exposures in business execution and operation through the continuous establishment of sound systems, processes and the power and responsibility system, rectification of deficiencies, introduction of supplemental and improved measures of risk control and prevention, revision and improvement of the administration rules in financial management, product quality management, schedule management.

For reputation risks, the Group strengthened the internal audit on activities organised under various themes and improved the daily monitoring of mainstream media by making use of information technology.

For strategic risks, the Group set clear strategic direction and targeted and maintained the projects and business scale in the key strategic region to ensure that the Group's strategies were fully implemented.

RISK MANAGEMENT REPORT

VII. 2018 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 system to manage the risk appetite. Through risk identification, evaluation, response, and monitoring the reported risk and the process of continued improvement, foundation for healthy development of the Group was laid to facilitate the realisation 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 business processes, 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 refine 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; reinforce the duty of the "Second Line of Defense" of the risk management functional departments through strengthening the risk assessment and accountability mechanism, enhancing the binding force of risk management, and developing to the culture of risk management; fully capitalize on the "Third Line of Defense" function of internal audit and supervision.

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 optimised
Business Operation Risk	Unsatisfactory business management model and positioning of commercial properties which affect the realisation of the business objectives of the commercial properties of the Group.	1. The Group has strengthened project planning and design capabilities and ramped up innovations in product and business model. 2. Commercial projects have actively expanded investment promotion channels, improved commercial facilities, and enhanced business operation capabilities and profitability. 3. To further streamline the management and control relationships between the commercial segment and regional (city) companies and within the segment.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimised
Investment Feasibility Study and Decision-making Risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	1. The investment risk evaluation model is adopted for evaluating extent of project risk from the three perspectives of city, project and team and formulating risk precautionary measures. 2. To achieve high-performance of investment, the standards for making investment such as revenue requirement will be raised and a resource coordination mechanism will be put into force. 3. To carry out dynamic monitoring over the revenue and risk of investments.
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 on the business development of the Group.	1. The Group has reinforced its research on the industry cycle and urban development potential and strengthened its strategic research and planning capabilities in this regard. 2. 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 specialised fields and duties or regional markets. 3. To purchase real estate industry related data and reports from third party institutions, implement internal sharing and submission through internal publications and management reports, and optimise its rapid response and adjustment mechanism.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimised
Exchange Rate risk	When the companies which the Group held shares have foreign currency assets or liabilities, exchange rate fluctuation may result in loss that may indirectly affect the Group's financial performance.	1. The Group arranges a reasonable match of assets and liabilities denominated in foreign currency to control foreign exchange exposure. 2. To pay close attention to information about foreign exchange market, and exchange experience in changes of the foreign exchange market and risk management with experienced experts in the foreign exchange industry.
Product Positioning Risk	The risk of the Group's dull sale or business results being hurt as a result of deviation from the market demand in respect of product design, product functions and quality, time of launch and product positioning in the market.	1. The Group's Product Centre recruits top talents at senior-management level to replenish the pool of professionals in residential and commercial lines and enhance professional competence. 2. To establish a library of competing products and formulate standards for allocating products across regions through in-depth research on regional competitive products. 3. To set up a review mechanism for product planning, strengthen the linkage of design, investment, operations, marketing, cost, finance and other professional lines, and monitor project progress, market, value, cost, risk aversion and other factors, so as to employ the best product strategy.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Members of Yuexiu Property Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 172, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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INDEPENDENT AUDITOR'S REPORT

Independence

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

KEY AUDIT MATTERS

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

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

- Valuation of investment properties held by the Group and its associated entity
- Net realisable value of properties under development and properties held for sale held by the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties held by the Group and its associated entity Refer to notes 3.3, 4, 17 and 22 to the consolidated financial statements Management has estimated the fair value of the Group's investment properties to be RMB13,744 million at 31 December 2017, with a revaluation loss for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss of RMB119 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associated entity, attributable to the Group amounted to RMB10,541 million at 31 December 2017, with a revaluation gain for the year ended 31 December 2017 recorded in the consolidated statement of comprehensive income of RMB325 million. Management has engaged independent external valuers to perform valuation of all the investment properties in order to support management's estimates. The valuations of completed investment properties are dependent on certain key assumptions that require significant management judgement, including market rents and capitalisation rate. Due to the significant judgement and estimates involved, specific audit focus was placed on this area.	Our procedures in relation to management's valuation of investment properties included: • Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity; • Obtaining the valuation reports for all properties and assessing that the valuation approach adopted was suitable for use in determining the fair value for the purpose of the financial statements; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and • Checking, on a sample basis, the input data used by the independent external valuers for the accuracy and relevance of the published external market data. We found that the assumptions and estimates made by the management in relation to the valuation was supported by the available audit evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of properties under development and properties held for sale held by the Group Refer to notes 4, 25 and 26 to the consolidated financial statements The Group had properties under development and properties held for sale of RMB45,789 million and RMB9,322 million, respectively, as at 31 December 2017. Management assessed the carrying amounts according to the net realisable value of these properties, taking into account the estimated costs to completion and estimated net sales value at prevailing market conditions. Write down to net realisation value is made when events or changes in circumstances indicate that the carrying amounts may not be realisable. The assessment requires management judgement and estimates.	Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included: • Evaluating of management's assessment by comparing, on a sample basis, the estimated selling price less variable selling expenses and the estimated costs to completion used in the assessment with the price and cost data from recent transactions or available market information; • Discussing with management on the latest status and development plans of the underlying property projects, such as expected completion dates of the projects; and • Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value. We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ip Koon Wing, Ernest.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5	**23,793,908**	20,871,021
Cost of sales	6	**(17,685,801)**	(16,531,420)
Gross profit		**6,108,107**	4,339,601
Proceeds from sales of investment properties		**350,774**	180,193
Direct costs of investment properties sold		**(350,266)**	(154,043)
Gain on sales of investment properties	20	**508**	26,150
Fair value losses on revaluation of investment properties, net	17	**(119,326)**	(307,595)
Other gains, net	7	**670,617**	1,062,904
Selling and marketing costs	6	**(618,959)**	(613,279)
Administrative expenses	6	**(967,350)**	(884,293)
Operating profit		**5,073,597**	3,623,488
Finance income	8	**276,557**	201,321
Finance costs	9	**(1,309,699)**	(901,962)
Share of profit of			
– joint ventures	21	**81,715**	55,061
– associated entities	22	**663,240**	385,553
Profit before taxation		**4,785,410**	3,363,461
Taxation	10	**(2,453,764)**	(1,636,585)
Profit for the year		**2,331,646**	1,726,876
Attributable to			
– Equity holders of the Company		**2,260,242**	1,540,154
– Non-controlling interests		**71,404**	186,722
		2,331,646	1,726,876
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	**0.1823**	0.1242

The notes on pages 95 to 172 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**2,331,646**	1,726,876
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**275,753**	(104,649)
Change in fair value of available-for-sale financial assets, net of tax	**14,449**	136,049
Other comprehensive income for the year, net of tax	**290,202**	31,400
Total comprehensive income for the year	**2,621,848**	1,758,276
Attributable to:		
– Equity holders of the Company	**2,549,658**	1,564,154
– Non-controlling interests	**72,190**	194,122
	2,621,848	1,758,276

The notes on pages 95 to 172 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,961,077**	1,583,815
Investment properties	17	**13,743,710**	14,337,252
Land use rights	18	**217,817**	233,326
Interests in joint ventures	21	**5,570,130**	4,241,073
Interests in associated entities	22	**14,202,652**	11,238,601
Available-for-sale financial assets	23	**1,206,645**	1,186,208
Deferred tax assets	39	**294,853**	221,491
		37,196,884	33,041,766
Current assets			
Properties under development	25	**45,789,461**	44,138,207
Properties held for sale	26	**9,322,176**	12,683,569
Prepayments for land use rights		**9,192,236**	5,143,797
Inventories	28	**3,698**	47,308
Derivative financial instrument	24	**—**	79
Trade receivables	29	**45,315**	36,359
Other receivables, prepayments and deposits		**9,196,475**	6,825,617
Prepaid taxation		**1,289,824**	984,691
Charged bank deposits	31	**4,139,112**	4,330,554
Cash and cash equivalents	32	**16,655,299**	17,691,428
		95,633,596	91,881,609
Non-current assets held-for-sale	30	**312,031**	441,541
LIABILITIES			
Current liabilities			
Trade and note payables	33	**157,875**	63,499
Advance receipts from customers		**17,633,142**	16,139,912
Other payables and accrued charges	34	**22,122,179**	26,793,143
Borrowings	35	**8,461,626**	6,778,340
Taxation payable		**3,822,029**	3,151,762
		52,196,851	52,926,656
Net current assets		**43,748,776**	39,396,494
Total assets less current liabilities		**80,945,660**	72,438,260

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings	35	39,247,462	33,514,935
Deferred tax liabilities	39	4,651,862	4,478,236
Deferred revenue		57,418	59,212
		43,956,742	38,052,383
Net assets		36,988,918	34,385,877
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	12,759,402	12,759,402
Shares held under share award scheme	37	(21,301)	—
Other reserves	38	857,379	566,555
Retained earnings	38	18,790,158	17,298,029
		32,385,638	30,623,986
Non-controlling interests		4,603,280	3,761,891
Total equity		36,988,918	34,385,877

On behalf of the Board

Zhang Zhaoxing
Director

Zhu Chunxiu
Director

The notes on pages 95 to 172 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Operating profit	**5,073,597**	3,623,488
Adjustments for:		
Depreciation and amortisation (note 6)	**43,338**	54,670
Gain on disposal of property, plant and equipment and land use right (note 7)	**(98,336)**	(420)
Gain on sales of investment properties (note 20)	**(508)**	(26,150)
Fair value loss on revaluation of investment properties, net (note 17)	**119,326**	307,595
Fair value loss/(gain) on derivative financial instrument (note 7)	**79**	(52)
Decrease in deferred revenue	**(1,794)**	(1,794)
Provision for impairment of properties held for sale (note 6)	**319,496**	240,243
Gain on disposal of subsidiaries (note 7)	**(585,312)**	(958,134)
Loss/(gain) on disposal of non-current assets held-for-sale (note 7)	**12,004**	(48,510)
Operating cash flows before movements in working capital	**4,881,890**	3,190,936
(Increase)/decrease in properties under development, properties held for sale and prepayments for land use rights	**(5,650,165)**	4,073,040
Decrease/(increase) in inventories	**43,610**	(11,247)
Increase in trade receivables, other receivables, prepayments and deposits	**(2,402,777)**	(2,176,791)
Increase in trade and note payables, other payables and accrued charges and advance receipts from customers	**2,266,793**	3,793,942
Net exchange difference for working capital	**55,171**	23,853
Net cash generated from operations	**(805,478)**	8,893,733
Interest received	**272,327**	168,348
Interest paid	**(2,276,518)**	(1,910,766)
Hong Kong profits tax paid	**(1,275)**	(3,285)
China taxation paid	**(1,892,103)**	(1,995,353)
Net cash (used in)/generated from operating activities	**(4,703,047)**	5,152,677

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Investing activities		
Purchases of property, plant and equipment and land use right	(326,685)	(451,371)
Purchases of available-for-sale financial assets	(55)	—
Purchases of investment properties	(9,613)	(572,646)
Proceeds from sale of investment properties	351,667	170,493
Dividends received from an associated entity (note 22)	290,550	303,767
Payment to joint ventures and associated entities	(2,748,476)	(205,884)
Decrease in charged bank deposits	191,442	1,292,016
Payment for acquisition of subsidiaries, net of cash acquired	—	(4,313,167)
Proceeds from sales of property, plant and equipment and land use right	242,698	1,976
Proceeds from sales of available-for-sale financial assets	75	—
Capital injection in a joint venture	(62,459)	(4,000)
Capital injection in associated entities	(302,959)	(897,532)
Proceeds from sale of non-current asset held-for-sale	429,537	85,097
Proceeds from disposal of subsidiaries, net of cash disposed (note 19)	1,936,656	4,561,881
Decrease in amounts due from related companies	577,728	36,747
Decrease/(increase) in amounts due from related parties of non-controlling interests and non-controlling interests	447,512	(320,814)
Net cash generated from/(used in) investing activities	1,017,618	(313,437)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Financing activities		
Capital contribution from non-controlling interests	**770,160**	55,200
Dividends paid to equity holders of the Company	**(766,705)**	(558,344)
Dividends paid to non-controlling interests	**(961)**	(68,539)
(Decrease)/increase in amounts due to an intermediate holding company	**(3)**	3
Decrease in amounts due to joint ventures and associated entities	**(2,695,251)**	(1,142,419)
(Decrease)/increase in amounts due to related companies	**(36)**	3,771,017
Decrease in amounts due to fellow subsidiaries	**(3,549,890)**	—
Increase/(decrease) in amounts due to related parties of non-controlling interests and non-controlling interests	**1,335,618**	(27,249)
Decrease in amounts due to related parties of a non-controlling interest	**(199,675)**	(661,351)
Proceeds from bank borrowings	**17,811,484**	28,338,252
Repayment of bank borrowings	**(13,176,563)**	(32,682,034)
Proceeds from other borrowings - medium term notes	**—**	7,968,000
Repayment of other borrowings - medium term notes	**—**	(2,641,775)
Proceeds from other borrowings from an intermediate holding company	**4,817,117**	4,022,361
Repayment of other borrowings from an intermediate holding company	**(1,634,716)**	(3,121,002)
Net cash generated from financing activities	**2,710,579**	3,252,120
(Decrease)/increase in cash and cash equivalents	**(974,850)**	8,091,360
Cash and cash equivalents at the beginning of year	**17,691,375**	9,545,485
Exchange (loss)/gain on cash and cash equivalents	**(61,277)**	54,530
Cash and cash equivalents at the end of year	**16,655,248**	17,691,375
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**16,655,299**	17,691,428
Bank overdrafts	**(51)**	(53)
	16,655,248	17,691,375

The notes on pages 95 to 172 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	12,759,402	—	17,864,584	3,761,891	34,385,877
Comprehensive income					
Profit for the year	—	—	2,260,242	71,404	2,331,646
Other comprehensive income					
Currency translation differences	—	—	275,753	—	275,753
Change in fair value of available-for-sale financial assets, net of tax	—	—	13,663	786	14,449
Total other comprehensive income	—	—	289,416	786	290,202
Total comprehensive income	—	—	2,549,658	72,190	2,621,848
Transactions with owners					
Dividends paid	—	—	(766,705)	(961)	(767,666)
Capital injection to subsidiaries	—	—	—	770,160	770,160
Acquisition of shares under share award scheme (Note 37)	—	(21,301)	—	—	(21,301)
Total transactions with owners	—	(21,301)	(766,705)	769,199	(18,807)
At 31 December 2017	12,759,402	(21,301)	19,647,537	4,603,280	36,988,918

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company				
	Share Capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	12,759,402	—	16,858,774	1,848,028	31,466,204
Comprehensive income					
Profit for the year	—	—	1,540,154	186,722	1,726,876
Other comprehensive income					
Currency translation differences	—	—	(104,649)	—	(104,649)
Change in fair value of available-for-sale financial assets, net of tax	—	—	128,649	7,400	136,049
Total other comprehensive income	—	—	24,000	7,400	31,400
Total comprehensive income	—	—	1,564,154	194,122	1,758,276
Transactions with owners					
Dividends paid	—	—	(558,344)	(68,539)	(626,883)
Capital injection to subsidiaries	—	—	—	55,200	55,200
Non-controlling interests arising on business combination	—	—	—	1,733,080	1,733,080
Total transactions with owners	—	—	(558,344)	1,719,741	1,161,397
At 31 December 2016	12,759,402	—	17,864,584	3,761,891	34,385,877

The notes on pages 95 to 172 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").

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 28 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) and requirements of the Hong Kong Companies Ordinance Cap. 622.

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 note 2.2.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) and investment property – measured at fair value, and
- assets held-for-sale – measured at fair value less cost of disposal.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) Going concern

At 31 December 2017, the Company's current liabilities exceeded its current assets by approximately RMB3,871 million (31 December 2016: Net current liabilities of approximately RMB4,727 million). This is mainly because certain borrowings of approximately RMB4,435 million will fall due within twelve months of the balance sheet date and certain amounts due to subsidiaries of approximately RMB2,667 million is repayable on demand as at 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.

(iv) Amended standards adopted by the Group:

The Group has applied the the following amendments for the first time for their annual reporting period commencing 1 January 2017:

HKAS 7 (Amendments)	Statement of Cash Flows
HKAS 12 (Amendments)	Income Taxes
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 44.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(v) New standards, amendments to existing standards and interpretations 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 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2018
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Annual Improvements to 2015 - 2017 Cycle	Improvements to HKFRSs	1 January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial Instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(v) New standards, amendments to existing standards and interpretations that have been issued but are not effective and have not been early adopted by the Group: (Continued)

HKFRS 9, 'Financial Instruments' (Continued)

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018. The financial assets held by the Group include equity instruments that are currently classified as available-for-sale financial assets for which a fair value through other comprehensive income ("FVOCI") election is available.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging accounting, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(v) New standards, amendments to existing standards and interpretations that have been issued but are not effective and have not been early adopted by the Group: (Continued)

HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognized at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which doesn't not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(v) New standards, amendments to existing standards and interpretations that have been issued but are not effective and have not been early adopted by the Group: (Continued)

HKFRS 15, 'Revenue from contracts with customers' (Continued)

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above to the Group's retained earnings on 1 January 2018.

HKFRS 16, 'Leases'

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB94,061,000, see note 27.

The Group estimates those relate to payment for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

Mandatory for financial years commencing on 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associated entities

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associated entities and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

2.4 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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.

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25-40 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. They are included in profit or loss.

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)

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields, and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

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

Changes in fair values are recognised in the consolidated statement of profit or loss. 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 statement of profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested 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 of disposal 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 which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

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

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(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. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, charged bank deposits and cash and cash equivalents. (note 29, 31 and 32)

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(i) Classification(Continued)

(c) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at financial assets at fair value through profit or loss, loans and receivables) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(iv) Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss'– in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the consolidated statement of profit or loss. Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group has 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)

2.12 Impairment of financial assets

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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, 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 profit or loss. 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.

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 profit or loss.

Impairment testing of trade receivables is described in note 29.

(ii) Available-for-sale financial assets

If there is objective evidence of impairment for available-for-sale financial assets, 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 profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.10 for further information about the Group's accounting for trade and other receivables and note 2.12 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specially exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade and note payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intented use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

2.21 Share capital and shares held under share award scheme

Ordinary shares are classified as equity (note 36).

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share capital and shares held under share award scheme (Continued)

Where the company's shares are acquired from the market by the Group Employee Share Trust under the share award scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held under share award scheme and deducted from total equity.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

(ii) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.23 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(iii) 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. A defined benefit plan is a pension plan that is not a defined contribution plan.

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. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) 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.

(v) Share-based compensation

Share-based compensation benefits are provided to employee via the share award scheme Information relating to these schemes is set out in note 37.

(vi) 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 the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. 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 present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(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.

2.26 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.27 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.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value 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 RMB1,143 million (2016: RMB799 million) and bank borrowings of approximately RMB7,801 million (2016: RMB2,413 million) which were denominated in HKD and cash and bank balances of approximately RMB194 million (2016: RMB220 million) and bank borrowings of approximately RMB3,248 million (2016: RMB3,444 million) which were dominated in USD as at 31 December 2017. The Group will closely monitor the foreign exchange fluctuation and adopt alternative instruments to hedge foreign exchange exposure when appropriate.

At 31 December 2017, 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 RMB405 million higher/lower (2016: post-tax profit RMB202 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 2017, 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 RMB88 million lower/higher (2016: post-tax profit RMB29 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fixed interest rate borrowings accounted for approximately 59% of the total borrowings.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 RMB79 million (2016: RMB77 million).

(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 42.

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.

(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 (Continued)

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.

Contractual maturities of financial liabilities	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 2017					
Borrowings					
(principal amount plus interest)	**10,345,312**	**13,163,637**	**21,360,335**	**9,973,819**	**54,843,103**
Trade and note payables (note 33)	**157,875**	**—**	**—**	**—**	**157,875**
Other payables and accrued charges	**20,396,921**	**—**	**—**	**—**	**20,396,921**
At 31 December 2016					
Borrowings					
(principal amount plus interest)	8,810,797	5,172,128	19,194,527	13,838,280	47,015,732
Trade and note payables (note 33)	63,499	—	—	—	63,499
Other payables and accrued charges	26,145,842	—	—	—	26,145,842

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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 gearing 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratios at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings (note 35)	**47,709,088**	40,293,275
Less: Cash and cash equivalents (note 32)	**(16,655,299)**	(17,691,428)
Net debt	**31,053,789**	22,601,847
Total equity (including non-controlling interests)	**36,988,918**	34,385,877
Total capital	**68,042,707**	56,987,724
Gearing ratio	**45.6%**	39.7%

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 2017 resulted primarily due to the continous stable growth in business operation.

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 3	
	As at 31 December	
	2017	2016
Recurring fair value measurements	**RMB'000**	RMB'000
Financial assets		
Derivative financial instruments – call option (note 24)	**—**	79
Available-for-sale financial assets (note 23)	**1,206,645**	1,186,208
Total financial assets	**1,206,645**	1,186,287

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of derivative financial instruments is calculated as gross development value using Binomial Tree method
- The fair value of available-for-sale financial assets is determined using the quoted market prices or dealer quotes for similar instruments

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2017 and 31 December 2016:

	Available for sale financial assets RMB'000	**Derivative financial instrument-call option RMB'000**	**Total RMB'000**
Opening balance at 1 January 2017	**1,186,208**	**79**	**1,186,287**
Addition	**55**	**—**	**55**
Disposal	**(575)**	**—**	**(575)**
Unrealised fair value loss recognised in profit or loss	**—**	**(79)**	**(79)**
Unrealised fair value changes recognised in other comprehensive income	**20,957**	**—**	**20,957**
Closing balance at 31 December 2017	**1,206,645**	**—**	**1,206,645**

	Available for sale financial assets RMB'000	Derivative financial instrument-call option RMB'000	Total RMB'000
Opening balance at 1 January 2016	988,875	27	988,902
Unrealised fair value gain recognised in profit or loss	—	52	52
Unrealised fair value changes recognised in other comprehensive income	197,333	—	197,333
Closing balance at 31 December 2016	1,186,208	79	1,186,287

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iv) Valuation processes

The Group measures its available-for-sale financial assets and derivative financial instrument at fair value. The level 3 financial assets were revaluated by Greats China Appraisals Limited ("GCAL"), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification at 31 December 2017.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes, including level 3 fair values. 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 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.

(v) Fair value of other 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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

	Level 3	
	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Investment properties (note 17)	13,743,710	14,337,252
Total non-financial assets	13,743,710	14,337,252

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

(ii) Valuation techniques used to determine fair values

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.

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

As at 31 December 2017, all investment properties are included in level 3 fair value hierarchy.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to note 17 for the changes in level 3 items for the years ended 31 December 2017 and 31 December 2016 recurring fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities (Continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 31 December 2017 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	**12,977,160**	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) RMB50/sm/mth to RMB700/sm/mth (2) 4% to 10.5%
Completed investment properties in Hong Kong	**766,550**	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) HKD7/sf/mth to HKD285/sf/mth (2) 3.5% to 4.5%

Description	Fair value at 31 December 2016 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	13,585,810	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) RMB55/sm/mth to RMB700/sm/mth (2) 3.5% to 10.5%
Completed investment properties in Hong Kong	751,442	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) HKD6/sf/mth to HKD285/sf/mth (2) 3.8% to 4.5%

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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities (Continued)

(iv) Valuation inputs and relationships to fair value (Continued)

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.

(v) Valuation processes

The Group measures its investment properties at fair value. The investment properties were revalued by GCAL, who have recent experience in the locations and segments of the investment properties valued, at 31 December 2017. 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 AC. Discussions of valuation processes and results are held between the management, AC, the valuation team 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.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) 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 3.3(b).

(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.

(c) 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.

(d) 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)

(e) 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, building design consultancy services and decoration 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, prepaid taxation and corporate assets. Corporate assets are not directly attributable to segments.

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 statement of profit or loss.

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
Year ended 31 December 2017					
Revenue	21,794,691	855,095	633,362	1,407,067	24,690,215
Inter-segment revenue	—	(123,833)	(15,540)	(756,934)	(896,307)
Revenue from external customers	21,794,691	731,262	617,822	650,133	23,793,908
Segment results	4,182,419	13,246	250,389	50,502	4,496,556
Depreciation and amortisation	(41,066)	(2,089)	—	(183)	(43,338)
Fair value losses on revaluation of investment properties, net	—	—	(119,326)	—	(119,326)
Share of profit of:					
– joint ventures	81,715	—	—	—	81,715
– associated entities	132,724	—	496,372	34,144	663,240

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2016					
Revenue	19,346,285	670,751	523,652	1,400,139	21,940,827
Inter-segment revenue	—	(71,274)	(5,692)	(992,840)	(1,069,806)
Revenue from external customers	19,346,285	599,477	517,960	407,299	20,871,021
Segment results	2,568,186	61,125	(12,956)	28,649	2,645,004
Depreciation and amortisation	(54,022)	(492)	—	(156)	(54,670)
Fair value losses on revaluation of investment properties, net	—	—	(307,595)	—	(307,595)
Share of profit/(loss) of:					
– joint ventures	55,061	—	—	—	55,061
– associated entities	(28,336)	—	384,073	29,816	385,553

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 2017					
Segment assets	**93,538,000**	**1,191,239**	**14,055,308**	**2,243,531**	**111,028,078**
Interests in joint ventures	**5,507,671**	**—**	**1,059**	**61,400**	**5,570,130**
Interests in associated entities	**8,068,841**	**—**	**5,892,103**	**241,708**	**14,202,652**
Total reportable segments' assets	**107,114,512**	**1,191,239**	**19,948,470**	**2,546,639**	**130,800,860**
Total reportable segments' assets include:					
Additions to non—current assets (note)	**535,155**	**5,899**	**9,613**	**9,850**	**560,517**
As at 31 December 2016					
Segment assets	91,296,147	1,031,997	14,778,793	552,268	107,659,205
Interests in joint ventures	4,241,073	—	—	—	4,241,073
Interests in associated entities	4,749,723	—	6,281,340	207,538	11,238,601
Total reportable segments' assets	100,286,943	1,031,997	21,060,133	759,806	123,138,879
Total reportable segments' assets include:					
Additions to non-current assets (note)	447,643	2,728	572,646	1,000	1,024,017

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

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Segment results	**4,496,556**	2,645,004
Unallocated operating costs (note)	**(93,576)**	(84,420)
Other gains, net (note 7)	**670,617**	1,062,904
Operating profit	**5,073,597**	3,623,488
Finance income (note 8)	**276,557**	201,321
Finance costs (note 9)	**(1,309,699)**	(901,962)
Share of profit of:		
– joint ventures (note 21)	**81,715**	55,061
– associated entities (note 22)	**663,240**	385,553
Profit before taxation	**4,785,410**	3,363,461

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total reportable segments' assets	**130,800,860**	123,138,879
Deferred tax assets (note 39)	**294,853**	221,491
Prepaid taxation	**1,289,824**	984,691
Corporate assets (note)	**756,974**	1,019,855
Total assets	**133,142,511**	125,364,916

Note: Corporate assets represent total assets other than interests in subsidiaries, interest in an associated entity and dividend receivables of the Company.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

For the year ended 31 December 2017, the Group does not have any single customer with the transaction value over 10% of the total external sales (2016: same).

6 EXPENSES BY NATURE

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

	2017	2016
	RMB'000	RMB'000
Selling and promotion expenses	**494,341**	515,108
Business tax and other levies	**649,425**	987,682
Cost of properties sold included in cost of sales	**15,520,786**	14,649,149
Cost of inventories included in cost of sales (note 28)	**431,869**	138,906
Direct operating expenses arising from investment properties	**187,649**	184,711
Depreciation (note 16)	**32,838**	43,538
Amortisation of land use rights (note 18)	**10,500**	11,132
Operating leases - Land and buildings	**63,850**	56,733
Auditor's remuneration	**6,000**	6,000
Employee benefit expenses (note 13)	**1,332,561**	1,094,996
Provision for impairment of properties held for sale (note 26)	**319,496**	240,243
Other expenses	**222,795**	100,794
	19,272,110	18,028,992

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER GAINS, NET

	2017 RMB'000	2016 RMB'000
Gain on disposal of subsidiaries (note 19)	**585,312**	958,134
(Loss)/gain on disposal of non-current assets held-for-sale	**(12,004)**	48,510
Penalty (expense)/income	**(3,134)**	45,683
Gain on disposal of property, plant and equipment and land use right	**98,336**	420
Fair value (loss)/gain on derivative financial instrument	**(79)**	52
Others	**2,186**	10,105
	670,617	1,062,904

8 FINANCE INCOME

	2017 RMB'000	2016 RMB'000
Interest income from bank deposits	**178,374**	168,348
Interest income on amount due from an associated entity (note 45(b))	**98,183**	—
Fair value gain on top-up payment liability	**—**	32,973
	276,557	201,321

9 FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings and overdrafts	**1,384,525**	1,415,379
Interest on borrowings from an associated entity (note 45(b))	**20,742**	15,798
Interest on borrowings from an intermediate holding company (note 45(b))	**108,997**	80,699
Interest on other borrowings	**524,464**	364,633
Interest on other payable (note (a))	**142,368**	181,209
Net foreign exchange loss	**28,197**	139,112
Total borrowing costs incurred	**2,209,293**	2,196,830
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note (b))	**(899,594)**	(1,427,960)
	1,309,699	768,870
Loss on extinguishment of financial liabilities	**—**	133,092
	1,309,699	901,962

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE COSTS (Continued)

Note:

(a) Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a related party of a non-controlling interest. The balance is approximately RMB2,200 million as at 31 December 2017 (31 December 2016: RMB2,200 million). The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB.

(b) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.56 percent per annum (2016: 5.37 percent per annum).

10 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2016: 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 (2016: 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 (2016: 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 statement of profit or loss comprises:

	2017 **RMB'000**	2016 RMB'000
Current taxation		
Hong Kong profits tax	**—**	3,747
China enterprise income tax	**1,250,098**	938,319
China land appreciation tax	**1,068,951**	1,400,419
Over-provision in prior years	**—**	(59)
Deferred taxation		
Origination and reversal of temporary difference	**(116,714)**	(240,897)
China land appreciation tax	**19,319**	(698,416)
Corporate withholding income tax on undistributed profits	**232,110**	233,472
	2,453,764	1,636,585

NOTES TO THE FINANCIAL STATEMENTS

10 TAXATION (Continued)

(e) 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:

	2017 RMB'000	2016 RMB'000
Profit before taxation less share of profit of associated entities and joint ventures	**4,040,455**	2,922,847
Calculated at China enterprise income tax rate of 25 percent (2016: 25 percent)	**1,010,114**	730,712
Effect of different taxation rates	**95,118**	(113,492)
Income not subject to taxation	**(36,795)**	(44,160)
Expenses not deductible for taxation purposes	**254,352**	83,842
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**82,663**	219,768
Over-provision in prior years	**—**	(59)
Effect of land appreciation tax deductible for calculation of income tax purposes	**(272,068)**	(175,501)
Corporate withholding income tax	**232,110**	233,472
	1,365,494	934,582
Land appreciation tax	**1,088,270**	702,003
Taxation charges	**2,453,764**	1,636,585

(f) The tax charges relating to components of other comprehensive income are as follows:

	2017			2016		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of available-for-sale financial assets	**20,957**	**(6,508)**	**14,449**	197,333	(61,284)	136,049

NOTES TO THE FINANCIAL STATEMENTS

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.

	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	2,260,242	1,540,154
Weighted average number of ordinary shares in issue ('000)	12,401,307	12,401,307
Basic earnings per share (RMB)	0.1823	0.1242

Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Since there was no dilutive potential ordinary shares during the year ended 31 December 2017, diluted earnings per share is equal to basic earnings per share (2016: same).

12 DIVIDENDS

The dividends paid in 2017 was approximately RMB767 million (2016: RMB558 million). The directors proposed a final dividend of HKD0.052 per ordinary share, totaling approximately RMB521 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 29 May 2018. These financial statements do not reflect this dividend payable.

	2017 RMB'000	2016 RMB'000
Interim, paid, of HKD0.040 equivalent to RMB0.034 (2016: HKD0.033 equivalent to RMB0.028) per ordinary share	422,279	356,962
Final, proposed, of HKD0.052 equivalent to RMB0.042 (2016: HKD0.032 equivalent to RMB0.028) per ordinary share	520,855	347,237
	943,134	704,199

NOTES TO THE FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSES

	2017 RMB'000	2016 RMB'000
Wages, salaries and bonus	**1,120,276**	842,581
Pension costs (defined contribution plans)	**40,123**	45,906
Medical benefits costs (defined contribution plans)	**25,462**	28,274
Social security costs	**83,537**	84,287
Termination benefits	**—**	25,529
Staff welfare	**63,163**	68,419
	1,332,561	1,094,996

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 HKD1,500 (before 1 Jun 2014: HKD1,250) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2017

	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
ZHANG Zhaoxing	–	1,540	6,295	105	510	–	–	–	8,450
ZHU Chunxiu	–	1,540	3,790	98	513	–	–	–	5,941
LIN Zhaoyuan	–	1,490	6,391	156	228	–	–	–	8,265
LI Feng	–	1,490	1,654	127	155	–	–	–	3,426
OU Junming (note a (i))	–	804	910	37	98	–	–	–	1,849
CHEN Jing (note a (ii))	–	686	750	57	84	–	–	–	1,577
OU Shao (note a (iii))	–	44	143	6	–	–	–	–	193
YU Lup Fat Joseph	321	–	–	–	–	–	–	–	321
LEE Ka Lun	252	–	–	–	–	–	–	–	252
LAU Hon Chuen Ambrose	252	–	–	–	–	–	–	–	252
Total	825	7,594	19,933	586	1,588	–	–	–	30,526

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director is set out below (Continued):

31 December 2016

	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
ZHANG Zhaoxing	–	1,540	6,391	83	425	–	–	–	8,439
ZHU Chunxiu	–	1,540	3,809	87	497	–	–	–	5,933
LIN Zhaoyuan	–	1,490	6,711	53	–	–	–	–	8,254
LI Feng	–	1,490	1,676	118	137	–	–	–	3,421
OU Junming (note a (i))	–	1,490	1,692	121	118	–	–	–	3,421
OU Shao (note a (iii))	–	1,335	4,299	101	–	111	–	–	5,846
YU Lup Fat Joseph	320	–	–	–	–	–	–	–	320
LEE Ka Lun	251	–	–	–	–	–	–	–	251
LAU Hon Chuen Ambrose	251	–	–	–	–	–	–	–	251
Total	822	8,885	24,578	563	1,177	111	–	–	36,136

Notes:

(i) Resigned on 17 July 2017.

(ii) Appointed on 17 July 2017.

(iii) Resigned on 13 January 2017.

(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 (2016: 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 (2016: 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 (2016: 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 (2016: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the year ended 31 December 2017 (2016: same). 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 year ended 31 December 2017 are also directors whose emoluments are reflected in the analysis presented in note 14 (2016: same).

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Land RMB'000 (note(a))	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 2017						
Opening net book amount	5,417	196,718	1,339,877	32,249	9,554	1,583,815
Exchange differences	(299)	(488)	—	(88)	(24)	(899)
Additions	—	31,614	477,254	33,362	3,420	545,650
Disposals	—	(130,663)	—	(2,586)	(850)	(134,099)
Disposal of subsidiaries	—	—	—	(406)	(146)	(552)
Depreciation	(14)	(18,347)	—	(11,496)	(2,981)	(32,838)
Transfer	—	545,052	(545,052)	—	—	—
Closing net book amount	5,104	623,886	1,272,079	51,035	8,973	1,961,077
At 31 December 2017						
Cost	11,591	743,095	1,272,079	144,530	66,055	2,237,350
Accumulated depreciation and impairment	(6,487)	(119,209)	—	(93,495)	(57,082)	(276,273)
Net book amount	5,104	623,886	1,272,079	51,035	8,973	1,961,077

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land RMB'000 (note(a))	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 2016						
Opening net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807
Exchange differences	6,910	6,116	—	255	17	13,298
Additions	—	—	439,030	9,431	2,910	451,371
Disposals	—	—	—	(1,391)	(165)	(1,556)
Depreciation	(519)	(27,966)	—	(11,205)	(3,848)	(43,538)
Transfer to investment properties (note 17)	(1,158)	(448)	—	—	—	(1,606)
Disposal of subsidiaries	(235,637)	(53,005)	—	(8,319)	—	(296,961)
Closing net book amount	5,417	196,718	1,339,877	32,249	9,554	1,583,815
At 31 December 2016						
Cost	12,812	449,658	1,339,877	112,789	75,223	1,990,359
Accumulated depreciation and impairment	(7,395)	(252,940)	—	(80,540)	(65,669)	(406,544)
Net book amount	5,417	196,718	1,339,877	32,249	9,554	1,583,815

Note:

(a) All the land of the Group are located in Hong Kong with lease terms under 50 years.

(b) Refer to note 43 for information on assets pledged as security by the Group.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	Completed investment properties		Investment properties under development	
	China RMB'000	Hong Kong RMB'000	China RMB'000	Total RMB'000
Opening balance at 1 January 2017	**13,585,810**	**751,442**	**—**	**14,337,252**
Exchange differences	**—**	**(50,560)**	**—**	**(50,560)**
Additions	**—**	**9,613**	**—**	**9,613**
Disposals	**(352,769)**	**—**	**—**	**(352,769)**
Disposal of subsidiaries	**(80,500)**	**—**	**—**	**(80,500)**
Fair value (losses)/gains, net (note)	**(175,381)**	**56,055**	**—**	**(119,326)**
Closing balance at 31 December 2017	**12,977,160**	**766,550**	**—**	**13,743,710**

	Completed investment properties		Investment properties under development	
	China RMB'000	Hong Kong RMB'000	China RMB'000	Total RMB'000
Opening balance at 1 January 2016	12,146,700	690,895	1,331,000	14,168,595
Exchange differences	—	46,343	—	46,343
Additions	—	—	572,646	572,646
Disposals	(144,343)	—	—	(144,343)
Transfer	1,903,646	—	(1,903,646)	—
Transfer from property, plant and equipment (note 16)	—	1,606	—	1,606
Fair value (losses)/gains, net (note)	(320,193)	12,598	—	(307,595)
Closing balance at 31 December 2016	13,585,810	751,442	—	14,337,252

Note: The net fair value losses of approximately RMB119 million (2016: approximately RMB308 million) are included in profit or loss that are attributable to unrealised gains or loss for assets held at the end of the year.

17 INVESTMENT PROPERTIES (Continued)

Refer to note 43 for information on assets pledged as security by the Group.

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

	2017 RMB'000	2016 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	766,550	751,442
Outside Hong Kong (note):		
Leases of between 10 to 50 years	12,977,160	13,585,810
	13,743,710	14,337,252

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:

	2017 RMB'000	2016 RMB'000
Beginning of the year	233,326	244,458
Additions	5,254	—
Disposals	(10,263)	—
Amortisation	(10,500)	(11,132)
End of the year	217,817	233,326

	2017 RMB'000	2016 RMB'000
Analysed as:		
Non-current, in China	217,817	233,326

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

	2017 RMB'000	2016 RMB'000
In China:		
Land use rights of between 10 to 50 years	217,817	233,326

Refer to note 43 for information on assets pledged as security by the Group.

NOTES TO THE FINANCIAL STATEMENTS

19 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Wuhan Yuexiu Property Development Co., Ltd.

On 14 November 2017, the Group and Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), an associated entity, entered into an acquisition deed which the Group disposed of 67% equity interest of Wuhan Yuexiu Property Development Co., Ltd. ("Wuhan Yuexiu") for a consideration of RMB2,010 million to Yuexiu REIT. The transaction was completed on 21 December 2017, thereafter, Wuhan Yuexiu became an associated entity of the Group.

Details of the net assets disposed and the gain on disposal are as follows:

	2017 RMB'000
Assets and liabilities disposed of:	
Property, plant and equipment	536
Properties held for sale	2,953,676
Other receivables, prepayments and deposits	13,767
Cash and cash equivalents	235,963
Advance receipts from customers	(30)
Other payables and accrued charges	(529,759)
Taxation payable	(77,032)
Deferred tax liabilities	(20,740)
Net assets disposed of	2,576,381
Consideration received	1,212,052
Consideration receivable	797,456
Investment in an associated entity	989,758
Less: net assets disposed of	(2,576,381)
Gain on disposal of a subsidiary (note 45(b))	422,885
Anaylsis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary	
Cash received	1,212,052
Cash and bank balances disposed	(235,963)
	976,089

(b) Disposal of other subsidiaries

During the year, besides disposal of Wuhan Yuexiu, the Group disposed of certain subsidiaries to third parties with total consideration of approximately RMB961 million, including shareholders' loan of approximately RMB789 million, resulting in a total gain of approximately RMB162 million. The consideration has been fully received by 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 RMB351 million (2016: RMB180 million) resulting in a total net gain of approximately RMB1 million (2016: RMB26 million).

21 INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Investments in joint ventures		
At 1 January	1,700,012	1,640,951
Additions	62,459	4,000
Share of profit	81,715	55,061
At 31 December 2017	1,844,186	1,700,012
Amounts due from joint ventures (note 45(c))	3,726,943	2,542,060
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	3,725,944	2,541,061
Total	5,570,130	4,241,073

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 2017 are set out on page 187.

NOTES TO THE FINANCIAL STATEMENTS

21 INTERESTS IN JOINT VENTURES (Continued)

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.

	2017 RMB'000	2016 RMB'000
Assets		
Non-current assets	129,728	39,500
Current assets	8,492,307	6,572,603
	8,622,035	6,612,103
Liabilities		
Non-current liabilities	(150,000)	(900,000)
Current liabilities	(6,627,849)	(4,012,091)
	(6,777,849)	(4,912,091)
Net assets	1,844,186	1,700,012
Revenue	876,041	2,075,961
Expenses	(771,464)	(2,002,471)
Profit before taxation	104,577	73,490
Taxation	(22,862)	(18,429)
Profit for the year	81,715	55,061

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.

The Group's joint ventures did not have any significant capital commitments as at 31 December 2017 (2016: nil).

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

NOTES TO THE FINANCIAL STATEMENTS

22 INTERESTS IN ASSOCIATED ENTITIES

	2017 RMB'000	2016 RMB'000
Share of net assets	**9,279,349**	7,687,215
Deferred units (note)	**1,749,484**	1,941,160
Amounts due from associated entities (note 45(c))	**3,173,819**	1,610,226
Interests in associated entities	**14,202,652**	11,238,601

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.

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

	2017 RMB'000	2016 RMB'000
Revenue	**1,749,610**	1,001,648
Profit after tax	**663,240**	385,553
Assets	**27,347,431**	21,270,485
Liabilities	**(18,068,082)**	(13,583,270)
Net assets	**9,279,349**	7,687,215

Details of the Group's significant associated entities as at 31 December 2017 are set out on page 188.

NOTES TO THE FINANCIAL STATEMENTS

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 RMB4,143 million (2016: RMB4,020 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB4,390 million (2016: RMB4,207 million).

Set out below is the summarised financial information for the Group's material associated entity which is accounted for using the equity method.

	2017 RMB'000	2016 RMB'000
Investment properties	28,706,000	24,197,500
Other non-current assets (excluding investment properties)	4,505,208	5,011,236
Cash and cash equivalents	1,303,904	1,180,828
Other current assets (excluding cash and cash equivalents)	375,817	231,711
Total assets	34,890,929	30,621,275
Non-current liabilities, other than net assets attributable to unitholders	(13,091,440)	(14,538,335)
Current liabilities	(6,835,480)	(2,448,556)
Total liabilities, other than net assets attributable to unitholders	(19,926,920)	(16,986,891)
Net assets attributable to unitholders	(13,876,589)	(13,534,400)
Total liabilities	(33,803,509)	(30,521,291)
Net assets	1,087,420	99,984
Revenue	1,853,899	1,837,579
Fair value gain on investment properties	885,792	952,422
Depreciation and amortisation	(136,143)	(156,878)
Finance income	573,527	26,243
Finance expenses	(366,987)	(938,229)
Operating expenses	(973,584)	(955,244)
Others	(112,231)	231,434
Profit before income tax	1,724,273	997,327
Income tax expense	(277,544)	(285,183)
Post-tax profit before transactions with unitholders	1,446,729	712,144
Transactions with unitholders	(1,066,582)	(775,488)
Gain/(loss) after income tax after transactions with unitholders	380,147	(63,344)
Other comprehensive income	82,238	70,684
Total comprehensive income	462,385	7,340
Dividends received	(290,550)	(303,767)

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 interest in the associated entity as follows:

	2017 RMB'000	2016 RMB'000
Net assets attributable to unitholders as at 1 January	**13,534,400**	13,400,472
Issuance of units	**111,106**	105,661
Transactions with unitholders	**1,066,582**	775,488
Distributions paid to unitholders	**(835,499)**	(747,221)
Net assets at 31 December	**13,876,589**	13,534,400
Net assets attributable to deferred unitholder	**(1,749,484)**	(1,941,160)
Net assets attributable to unitholders	**12,127,105**	11,593,240
Interest in associated entity	**34.16%**	35.21%
Carrying value	**4,142,619**	4,020,136

Cash and cash equivalents of approximately RMB1,087 million (2016: RMB1,000 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 associated entity has capital commitments of RMB65 million as at 31 December 2017 (2016: RMB31 million).

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

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Beginning of the year	**1,186,208**	988,875
Addition	**55**	—
Disposal	**(575)**	—
Increase in fair value recognised in other comprehensive income	**20,957**	197,333
End of the year	**1,206,645**	1,186,208

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

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.

NOTES TO THE FINANCIAL STATEMENTS

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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 RMB10 million (2016: RMB10 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 INSTRUMENT

	2017 RMB'000	2016 RMB'000
Call option	—	79

The Group made investments in an associated entity. The associated entity invests indirectly in certain parcels of land acquired in China through the establishment of project company.

According to the terms of the cooperation agreement entered into by the Group and the other investor of the associated entity (the "Other Party"), the Group was granted call option by the Other Party to acquire all the equity interests of all the respective project companies with agreed considerations. The call option is 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 Party in the project company plus a rate of return not exceeding 12% per annum. The call option will be exercised in 2018.

The call option is classified as derivative financial instruments and is carried at fair value. The fair value of the call option was 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 Party have a right, but not an obligation to develop the corresponding land parcel.

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 2017 are as follows:

	Impact of change	
	Increase 0.5% RMB'000	Decrease 0.5% RMB'000
Expected volatility	—	—

NOTES TO THE FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The expected volatility of the call option is 3.15% to 4.15%. 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 statement of profit or loss under "other gains, net".

25 PROPERTIES UNDER DEVELOPMENT

	2017 RMB'000	2016 RMB'000
Properties under development	45,789,461	44,138,207

Properties under development are mainly located in China.

Refer to note 43 for information on assets pledged as security by the Group.

26 PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Properties held for sale	9,322,176	12,683,569

Properties held for sale are mainly located in China.

Refer to note 43 for information on assets pledged as security by the Group.

A provision for impairment of RMB319 million (2016: RMB240 million) is recognised as expense and included in "cost of sales" (note 6).

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:

	2017 RMB'000	2016 RMB'000
Not later than one year	47,574	49,493
Later than one year and not later than five years	46,487	43,408
More than five years	—	14,430
	94,061	107,331

NOTES TO THE FINANCIAL STATEMENTS

28 INVENTORIES

	2017 RMB'000	2016 RMB'000
Work-in-progress	—	44,800
Finished goods	3,698	2,508
	3,698	47,308

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB432 million (2016: RMB139 million) (Note 6).

29 TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	54,120	45,645
Less: provision for impairment of trade receivables	(8,805)	(9,286)
	45,315	36,359

The fair values of trade receivables approximate their carrying amounts.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of profit or loss. See note 2.12 for information about how impairment losses are calculated.

As at 31 December 2017 and 2016, the ageing analysis of the trade receivables from the invoice date is as follows:

	2017 RMB'000	2016 RMB'000
0 - 30 days	13,387	19,758
31 - 180 days	25,974	3,929
181 - 365 days	1,461	1,207
Over 1 year	13,298	20,751
	54,120	45,645

29 TRADE RECEIVABLES (Continued)

As at 31 December 2017, trade receivables of approximately RMB39 million (2016: RMB23 million) were fully performing.

As at 31 December 2017, trade receivables of approximately RMB6 million (2016: RMB13 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:

	2017 RMB'000	2016 RMB'000
Over 6 months	**5,954**	12,672

As at 31 December 2017, trade receivables of approximately RMB9 million (2016: RMB9 million) were impaired. The amount of the provision was approximately RMB9 million as at 31 December 2017 (2016: 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:

	2017 RMB'000	2016 RMB'000
Over 1 year	**8,805**	9,286

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

	2017 RMB'000	2016 RMB'000
Beginning of the year	**9,286**	9,286
Written-off during the year as uncollectable	**(481)**	—
End of the year	**8,805**	9,286

The Group's trade receivables are denominated in RMB.

30 NON-CURRENT ASSETS HELD-FOR-SALE

In December 2017, the Group entered into a placement agreement with a placing agent, pursuant to which the Group agreed to sell, and the placing agent agreed subject to certain conditions to procure places to purchase, failing which the placing agent will purchase, 77,000,000 units, equivalent to 2.55% of equity interest in Yuexiu REIT for a purchase price of HKD4.89 per unit. The transaction is expected to be completed in 2018. The assets is presented within total assets of the property investment segment in note 5.

NOTES TO THE FINANCIAL STATEMENTS

31 CHARGED BANK DEPOSITS

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.

32 CASH AND CASH EQUIVALENTS

	2017 **RMB'000**	2016 RMB'000
Cash at bank	**16,416,972**	17,385,793
Short-term bank deposits	**238,327**	305,635
	16,655,299	17,691,428

Cash and cash equivalents are denominated in the following currencies:

	2017 **RMB'000**	2016 RMB'000
HKD	**1,142,812**	799,425
RMB	**15,310,725**	16,664,452
USD	**194,443**	220,274
Others	**7,319**	7,277
	16,655,299	17,691,428

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 1 percent (2016: 1 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

	2017 RMB'000	2016 RMB'000
Trade payables	**110,326**	56,370
Note payables	**47,549**	7,129
	157,875	63,499

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

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

	2017 RMB'000	2016 RMB'000
0 - 30 days	**86,433**	44,425
31 - 90 days	**40,562**	1,899
91 - 180 days	**14,288**	11,265
181 - 365 days	**8,556**	1,999
1 - 2 years	**4,340**	3,731
Over 2 years	**3,696**	180
	157,875	63,499

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

34 OTHER PAYABLES AND ACCRUED CHARGES

	2017 RMB'000	2016 RMB'000
Accrual for construction related costs	**8,997,724**	9,785,261
Accrued employee benefits costs	**573,097**	311,623
Amounts due to related parties (note 45(c))	**4,689,187**	10,584,904
Top-up payment liability (note)	**—**	17,384
Other payables	**7,862,171**	6,093,971
	22,122,179	26,793,143

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2017 RMB'000	2016 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	11,282,160	3,341,299
– Unsecured	14,838,102	16,724,944
Other borrowings, unsecured	13,127,034	13,448,514
Obligations under finance leases	166	178
	39,247,462	33,514,935
Current		
Bank overdrafts	51	53
Short-term bank borrowings		
– Unsecured	550,773	1,885,021
Current portion of long-term bank borrowings		
– Secured	1,014,750	404,061
– Unsecured	2,812,285	3,587,760
Other borrowings, unsecured (note 45(c))	4,083,760	901,359
Obligations under finance leases	7	86
	8,461,626	6,778,340
Total borrowings	47,709,088	40,293,275

NOTES TO THE FINANCIAL STATEMENTS

35 BORROWINGS (Continued)

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**4,377,859**	5,876,895	**4,083,767**	901,445
In the second year	**10,719,368**	3,964,692	**997,914**	66
In the third to fifth year	**12,504,894**	12,293,151	**6,480,284**	4,981,709
Over five years	**2,896,000**	3,808,400	**5,649,002**	8,466,917
	30,498,121	25,943,138	**17,210,967**	14,350,137

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

	2017			2016		
	HKD	**RMB**	**USD**	HKD	RMB	USD
Bank borrowings	**2.70%**	**4.16%**	**—**	3.28%	5.12%	3.29%
Other borrowings	**7.07%**	**3.42%**	**4.33%**	6.17%	3.80%	5.44%
Bank overdrafts	**3.48%**	**—**	**—**	5.44%	—	—

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

	2017	2016
	RMB'000	RMB'000
HKD	**7,801,021**	2,413,480
RMB	**36,659,925**	34,435,573
USD	**3,248,142**	3,444,222
	47,709,088	40,293,275

The fair values of borrowings approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

36 SHARE CAPITAL

	Number of shares ('000)	Share capital RMB'000	Total RMB'000
At 31 December 2016	12,401,307	12,759,402	12,759,402

	Number of shares ('000)	**Share capital RMB'000**	**Total RMB'000**
At 31 December 2017	**12,401,307**	**12,759,402**	**12,759,402**

37 SHARES HELD UNDER SHARE AWARD SCHEME

Adoption of the share award scheme

The share award scheme for employee of the Group was adopted by the Board of the Company on 17 March 2017 (the "Adoption Date"). The share award scheme shall be valid and effective for nine years commencing from the Adoption Date (the "Scheme Period"), subject to any early termination as may be determined by the Board.

Scheme Limit

The total number of shares awarded under the share award scheme shall not exceed 3% (the "Scheme Limit") of the number of shares in issue as at the Adoption Date, and the Board may from time to time "refresh" the Scheme Limit provided that the total number of scheme shares awarded and to be awarded must not exceed 5% of the number of shares in issue as at the date of the resolution to approve the "refreshed" limit.

Operation

Pursuant to the scheme rules of the share award scheme (the "Scheme Rules"), the Group may from time to time at its absolute discretion select any employee to be a selected participant and determine and allocate the number of shares to be granted to a selected participant in accordance with the Scheme Rules. The Company has entered into a trust deed with the trustee (the "Trustee") for implementing the share award scheme. The Group will pay to the Trustee the purchase monies for the purchase of shares for the purpose of the share award scheme, and the Trustee shall apply the full amount of such purchase monies received from the Group towards the purchase of the maximum number of shares from the market and shall hold such shares on trust during the Scheme Period.

NOTES TO THE FINANCIAL STATEMENTS

37 SHARES HELD UNDER SHARE AWARD SCHEME (continued)

	2017 Shares ('000)	2016 Shares ('000)	2017 RMB'000	2016 RMB'000
Shares held under share award scheme	(17,192)	—	(21,301)	—

These shares are acquired from the market by the Trustee under the share award scheme.

	Number of shares ('000)	RMB'000
Opening balance 1 January 2017	—	—
Acquisition of shares by the Trust	(17,192)	(21,301)
Balance 31 December 2017	(17,192)	(21,301)

The weighted average price of awarded shares held during the year ended 31 December 2017 was approximately RMB1.24 per share.

As at 31 December 2017, the total number of issued ordinary shares of the Company included 17,192,473 shares held under the share award scheme, and no shares was granted to the relevant selected participant.

38 RESERVES

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	212,556	(363,867)	717,866	17,298,029	17,864,584
Currency translation differences	—	275,753	—	—	275,753
Change in fair value of available-for-sale financial assets					
– gross	—	—	19,909	—	19,909
– tax	—	—	(4,977)	—	(4,977)
– effect of withholding tax	—	—	(1,269)	—	(1,269)
Profit attributable to shareholders	—	—	—	2,260,242	2,260,242
Dividends paid	—	—	—	(766,705)	(766,705)
Transfer to statutory reserves	1,408	—	—	(1,408)	—
At 31 December 2017	213,964	(88,114)	731,529	18,790,158	19,647,537
Representing:					
2017 final dividend proposed				520,855	
Others				18,269,303	
				18,790,158	

NOTES TO THE FINANCIAL STATEMENTS

38 RESERVES (Continued)

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	212,556	(259,218)	589,217	16,316,219	16,858,774
Currency translation differences	—	(104,649)	—	—	(104,649)
Change in fair value of available-for-sale financial assets					
– gross	—	—	187,467	—	187,467
– tax	—	—	(46,867)	—	(46,867)
– effect of withholding tax	—	—	(11,951)	—	(11,951)
Profit attributable to shareholders	—	—	—	1,540,154	1,540,154
Dividends paid	—	—	—	(558,344)	(558,344)
At 31 December 2016	212,556	(363,867)	717,866	17,298,029	17,864,584
Representing:					
2016 final dividend proposed				347,237	
Others				16,950,792	
				17,298,029	

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

39 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 gross movements on the deferred tax account are as follows:

	2017 RMB'000	2016 RMB'000
Beginning of the year	**4,256,745**	5,067,220
Charged/(credited) to profit or loss during the year (note 10)	**134,715**	(705,841)
Disposal of subsidiaries	**(38,055)**	(149,642)
Deferred taxation charged to equity (note 10)	**6,508**	61,284
Exchange differences	**(2,904)**	(16,276)
End of the year	**4,357,009**	4,256,745

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 2017	**45,687**	**18,608**	**169,703**	**1,021**	**235,019**
Exchange differences	**—**	**—**	**—**	**—**	**—**
Charged to profit or loss during the year	**—**	**23,769**	**76,971**	**—**	**100,740**
At 31 December 2017	**45,687**	**42,377**	**246,674**	**1,021**	**335,759**
At 1 January 2016	22,193	18,608	166,564	1,021	208,386
Exchange differences	—	—	—	—	—
Charged to profit or loss during the year	23,494	—	3,139	—	26,633
At 31 December 2016	45,687	18,608	169,703	1,021	235,019

NOTES TO THE FINANCIAL STATEMENTS

39 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 2017	**2,857,074**	**67,490**	**277,171**	**4,241**	**9,459**	**1,276,329**	**4,491,764**
Exchange differences	**(2,904)**	**—**	**—**	**—**	**—**	**—**	**(2,904)**
Charged/(credited) to profit or loss during the year	**16,936**	**(13,571)**	**—**	**—**	**(20)**	**232,110**	**235,455**
Credited to reserves	**—**	**—**	**4,977**	**—**	**—**	**1,531**	**6,508**
Disposal of subsidiaries	**(20,740)**	**—**	**—**	**—**	**—**	**(17,315)**	**(38,055)**
At 31 December 2017	**2,850,366**	**53,919**	**282,148**	**4,241**	**9,439**	**1,492,655**	**4,692,768**
At 1 January 2016	3,523,609	77,345	227,839	406,462	9,446	1,030,905	5,275,606
Exchange differences	(16,276)	—	—	—	—	—	(16,276)
Charged/(credited) to profit or loss during the year	(500,617)	(9,855)	—	(402,221)	13	233,472	(679,208)
Credited to reserves	—	—	49,332	—	—	11,952	61,284
Disposal of subsidiaries	(149,642)	—	—	—	—	—	(149,642)
At 31 December 2016	2,857,074	67,490	277,171	4,241	9,459	1,276,329	4,491,764

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:

	2017 RMB'000	2016 RMB'000
Deferred tax assets		
– China enterprise income tax	**294,853**	221,491
	294,853	221,491
Deferred tax liabilities		
– Hong Kong profits tax	**23,543**	28,678
– China enterprise income tax	**3,504,483**	3,287,735
– China land appreciation tax	**1,123,836**	1,161,823
	4,651,862	4,478,236

NOTES TO THE FINANCIAL STATEMENTS

39 DEFERRED TAXATION (Continued)

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 2017, the Group had unrecognised deferred tax benefits of approximately RMB449 million (2016: RMB366 million) in respect of tax losses of approximately RMB2,243 million (2016: RMB1,912 million). Tax losses amounting to RMB930 million (2016: RMB600 million) will expire at various dates up to and including 2022 (2016: 2021). The remaining tax losses have no expiry date.

40 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2017, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	**394,018**	636,258
Later than one year and not later than five years	**934,369**	1,540,236
Later than five years	**165,224**	179,209
	1,493,611	2,355,703

41 CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	**719,610**	1,063,676
Authorised but not contracted for	**553,797**	789,475
	1,273,407	1,853,151

42 GUARANTEES

	2017 RMB'000	2016 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	**8,426,996**	11,303,638
Guarantee for banking and loan facility granted to an associated entity (note (b))	**—**	2,360,000
Guarantees for banking and loan facilities granted to joint ventures (note (b))	**450,000**	249,049
	8,876,996	13,912,687

NOTES TO THE FINANCIAL STATEMENTS

42 GUARANTEES (Continued)

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) As at 31 December 2017, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB450 million (31 December 2016: RMB2,609 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which guarantee of approximately RMB49 million was utilised and guarantee of approximately RMB401 million was not utilised yet.

43 SECURITIES FOR BANKING FACILITIES

At 31 December 2017, 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 RMB23,504 million (2016: RMB6,817 million), RMB1,237 million (2016: RMB4,397 million), RMB6,248 million (2016: nil) and RMB 595 million (2016: RMB572 million) respectively and

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (2016: RMB7 million).

44 LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings due within 1 year (excluding overdraft) RMB'000	Borrowings due after 1 year RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 31 December 2016	(6,778,287)	(33,514,935)	(14,348,841)	(54,642,063)
Cash flows	(356,597)	(7,460,725)	5,109,237	(2,708,085)
Foreign exchange adjustments	44,118	359,599	—	403,717
Transfer between borrowings due within 1 year and after 1 year	(1,370,809)	1,370,809	—	—
Other non-cash movements	—	(2,210)	(349,463)	(351,673)
Liabilities from financing activities as at 31 December 2017	(8,461,575)	(39,247,462)	(9,589,067)	(57,298,104)

45 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 2017:

Significant related parties	Relationship with the Company
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Yuexiu REIT	An associated entity
Guangzhou Hongsheng Property Development Co., Ltd. ("GHPD")	An associated entity
廣州越禾房地產開發有限公司 ("越禾")	A joint venture
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
Guangzhou Securities Company Limited ("GSCL")	A fellow subsidiary
Guangzhou Yuexiu Development Group Limited ("GYD")	A fellow subsidiary
廣州雅城房地產開發有限公司 ("雅城")	A fellow subsidiary
Guangzhou Yuexiu Microcredit Company Limited ("YXSL")	An associated entity of a fellow subsidiary
廣州資產管理有限公司 ("資產管理")	An associated entity of a fellow subsidiary
金鷹基金管理有限公司 ("金鷹")	An associated entity of a A fellow subsidiary

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed in note 19(a) in these financial statements, the Group had the following transactions with related parties during the year:

	2017 RMB'000	2016 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees	**(3,215)**	(3,193)
Interest expense (note 9)	**(108,997)**	(80,699)
(II) Transactions with Yuexiu REIT		
Gain on disposal of a subsidiary (note 19)	**422,885**	—
Tenancy service fees income	**19,025**	22,490
Rental expenses	**(57,791)**	(68,503)
Interest expense (note 9)	**(20,742)**	(15,798)
Top-up payment expense	**—**	(52,626)
(III) Transaction with CHB		
Deposit interest income	**10,445**	—
Rental income	**7,641**	6,732
Interest expenses	**—**	(7,226)
(Loss)/gain on foreign exchange transactions	**(4,655)**	3,093
Proceeds from management service	**1,611**	1,195
(IV) Transaction with GYFL		
Rental income	**3,642**	6,129
(V) Transaction with GHPD		
Interest income (note 8)	**98,183**	—
(VI) Transaction with GYD		
Income from sales of properties	**426,674**	—
(VII) Transaction with 雅城		
Gain on disposal of property, plant and equipment and land use right	**98,336**	—
(VIII) Transaction with 越禾		
Commission income	**—**	20,034
(IX) Transaction with 資產管理		
Rental income	**1,470**	—
(X) Transaction with 金鷹		
Rental income	**3,382**	—
(XI) Transaction with GSCL		
Rental income	**279**	—

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2017 RMB'000	2016 RMB'000
Amount due to an intermediate holding company	(i), (ii)	**(8)**	(11)
Amounts due from associated entities	(iv), (vii)	**5,992,792**	3,993,038
Amounts due to associated entities	(ii), (vi), (viii)	**(2,458,010)**	(5,050,440)
Amounts due from joint ventures	(iii), (v)	**3,737,365**	2,561,703
Amounts due to joint ventures	(i), (ii)	**(1,795,828)**	(1,549,186)
Amounts due from related companies	(i), (ii)	**38,282**	38,285
Amounts due to related companies	(i), (ii)	**(40,568)**	(40,604)
Amounts due to fellow subsidiaries	(i), (ii)	**(394,773)**	(3,944,663)
Cash at bank from a fellow subsidiary	(ix)	**943,692**	236,063
Other borrowings from an intermediate holding company	(x)	**(4,083,760)**	(901,359)

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 or receivable 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 RMB11,422,000 (31 December 2016: RMB20,642,000) 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 RMB2,818,973,000 (31 December 2016: RMB2,382,812,000) 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 (31 December 2016: RMB999,000) which is made for an amount due from a joint venture.

(vi) The balance in 2016 excludes top-up payment liability of approximately RMB17,384,000 which is included in other payables and accrued charges.

(vii) Except for an amount of approximately RMB2,394,620,000 (31 December 2016:RMB1,590,698,000) which is unsecured and interest bearing, the remaining balances are unsecured, interest free and receivable on demand.

(viii) Except for an amount of approximately RMB266,357,000 (31 December 2016: RMB131,351,000) which is unsecured and interest bearing at 9% per annum (2016: 9% per annum), the remaining balances are unsecured, interest free and repayable on demand.

(ix) These balances are deposits maintained with a fellow subsidiary on normal commercial terms.

(x) These balances are unsecured and interest bearing at 4.57% per annum (31 December 2016: 4.35% per annum), repayable within twelve months and denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

45 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:

	2017 RMB'000	2016 RMB'000
Fees	825	822
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	29,115	34,751
Pension costs	586	563
	30,526	36,136

(e) Guarantees

(I) GYHL provides guarantee for the bond of Guangzhou City Construction & Development Co. Ltd, a subsidiary of the Group, amounted to RMB7,976 million as at 31 December 2017 (31 December 2016: RMB7,970 million).

(II) Certain properties of the Group, were sold to independent purchasers and the balance of the consideration payable was RMB190,000,000 ("Purchase Price Balance"), YXSL offered loans in the aggregate amount equal to the Purchase Price Balance to the independent purchasers. The Group provided in favour of YXSL a guarantee for the independent purchasers' payment and guarantee obligations in relation to the loans provided by YXSL to the independent purchasers.

NOTES TO THE FINANCIAL STATEMENTS

46 COMPANY BALANCE SHEET

	2017 RMB'000	2016 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,887	6,277
Investment properties	10,407	9,974
Interests in subsidiaries	31,026,854	29,692,681
Interests in an associated entity	19,234	19,209
	31,062,382	29,728,141
Current assets		
Other receivables, prepayments and deposits	3,095	2,723
Dividend receivables	2,687,599	1,003,599
Cash and cash equivalents	737,585	1,000,881
	3,428,279	2,007,203
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	2,667,339	3,963,119
Other payables and accrued charges	197,787	1,170,266
Borrowings	4,434,540	1,600,367
	7,299,666	6,733,752
Net current liabilities	(3,871,387)	(4,726,549)
Total assets less current liabilities	27,190,995	25,001,592

NOTES TO THE FINANCIAL STATEMENTS

46 COMPANY BALANCE SHEET (Continued)

	2017 RMB'000	2016 RMB'000
Non-current liabilities		
Amount due to a subsidiary	9,085,057	7,824,891
Borrowings	4,324,386	3,494,543
	13,409,443	11,319,434
Net assets	13,781,552	13,682,158
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	12,759,402	12,759,402
Shares held under share award scheme	(21,301)	—
Reserves (note)	1,043,451	922,756
Total equity	13,781,552	13,682,158

On behalf of the Board

Zhang Zhaoxing
Director

Zhu Chunxiu
Director

Note:

Reserves

	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	922,756	922,756
Profit for the year	887,400	887,400
Dividends paid	(766,705)	(766,705)
At 31 December 2017	1,043,451	1,043,451

	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	1,643,463	1,643,463
Loss for the year	(162,363)	(162,363)
Dividends paid	(558,344)	(558,344)
At 31 December 2016	922,756	922,756

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2017, 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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
Able Step Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HKD7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	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 (HKD1)	—	100	—	100	Property investment
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
Elsburg Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	–	100	–	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares (HKD1,000)	–	100	–	100	Investment holding
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares (HKD500,000)	–	100	–	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share (HKD1)	–	100	–	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share (HKD1)	–	100	–	100	Property investment
Guangzhou Baima Business Operation Property Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	–	99.84	–	99.84	Property management
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 HKD259,670,000	–	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

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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	–	99.75	–	99.75	Property development
Guangzhou Yuexiu Property Development Co., Ltd.	China, limited liability company	Registered capital RMB12,994,800	–	99.75	–	99.75	Property development and investment
Guangzhou Yuexiu Property 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 USD1 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

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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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
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 (HKD2)	100	—	100	—	Financing
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
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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 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	–	98.89	–	99.07	Property development
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital USD499,070,000	–	100	–	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of USD1 each	–	100	–	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share (HKD1)	–	100	–	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares (HKD2)	100	–	100	–	Property 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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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 (HKD2)	–	100	–	100	Property investment
Keen Million Investment Limited	Hong Kong	1 Ordinary share (HKD1)	100	–	100	–	Financing
Kingswell Limited	Hong Kong	1 Ordinary share (HKD1)	–	100	–	100	Property investment
Leading Affluence Limited	Hong Kong	1 Ordinary share (HKD1)	100	–	100	–	Financing
Lucken Limited	Hong Kong	3 Ordinary shares (HKD3)	–	100	–	100	Property investment
Merry Growth Development Limited	Hong Kong	100 Ordinary shares (HKD100)	–	100	–	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares (HKD2)	–	100	–	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share (HKD1)	–	100	–	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares (HKD100)	–	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 (HKD2)	–	100	–	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HKD1 each	–	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Winston Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares (HKD100) and 500,000 Non-voting deferred shares (HKD500,000)	—	100	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	–	100	–	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 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
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 RMB1,165,940,000	–	100	–	100	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital USD99,800,000	–	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 HKD2,154,000,000	–	100	–	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HKD624,000,000	–	100	–	100	Property development
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital USD290,000,000	–	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital USD59,800,000	–	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	–	99.75	–	100	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,910,000,000	–	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	–	99.75	–	95	Property management
廣州悦秀會信息科技有限公司	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
廣州市悦冠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
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

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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
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	–	99.75	–	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
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	–	95	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	–	100	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	–	95.48	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	–	46.41	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
武漢市錦熹實業投資合夥企業（有限合夥）	China, partnership	Registered capital RMB1,000,000	–	99	–	99	Investment consulting
杭州樾燊投資管理合夥企業（有限合夥）	China, partnership	Registered capital RMB1,000,000	–	99	–	99	Investment consulting
青島合勝投資合夥企業（有限合夥）	China, partnership	Registered capital RMB1,000,000	–	99	–	99	Property investment
江門市群輝實業投資中心（有限合夥）	China, partnership	Registered capital RMB10,000	–	99	–	99	Investment holdings
廣州逨榮實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Metal manufacturing
廣州耀維實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Metal manufacturing
廣州中璟慧富房地產開發有限公司	China, limited liability company	Registered capital RMB4,160,000	–	95	–	95	Property development
杭州燚樂實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
廣州城迅實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
青島越星房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
廣州堅秀實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
廣州安翠實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
杭州誠鑒實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
杭州松炎實業投資有限公司	China, limited liability company	Registered capital RMB5,000,000	–	95	–	95	Property investment
杭州松炬實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
杭州炎盛實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
杭州燊熠實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
武漢炎勝置業有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
武漢東焱置業有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
廣州越登實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
江門越佳房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.40	–	95.40	Property development
青島宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.12	–	95.12	Property development
杭州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95.04	–	95.04	Property development
舟山宏智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Information consulting

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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
舟山欣德商貿發展有限公司	China, limited liability company	Registered capital RMB60,000,000	—	47.50	—	47.50	Trading
杭州慧盛企業管理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Management consulting
太倉和融商貿有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Trading
蘇州向東島房地產開發有限公司	China, limited liability company	Registered capital RMB380,000,000	—	47.50	—	47.50	Property development
武漢越武房地產開發有限公司	China, limited liability company	Registered capital RMB120,000,000	—	51.42	—	51.42	Property development
青島越成投資管理有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Investment holding
廣州展康投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
廣州越秀商業地產投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
杭州東日經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Information consulting service
杭州春焱實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property investment
廣州鉅熹經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Commercial services
廣州顯昌投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Investment holdings
廣州裕永投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
杭州東智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Information consulting service

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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
武漢東雄置業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property development
武漢嘉耀房地產開發有限公司	China, limited liability company	Registered capital RMB90,000,000	–	95	–	–	Property development
武漢嘉盛房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95	–	–	Property development
武漢悦盛房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.48	–	–	Property development
武漢嘉萱房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95.48	–	–	Property development
武漢嘉祺房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	95.48	–	–	Property development
杭州盛寅房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	–	48.45	–	–	Property development
杭州豐勝房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95	–	–	Property development
杭州越榮房地產開發有限公司	China, limited liability company	Registered capital RMB1,350,000,000	–	39.18	–	–	Property development
廣州雋景一號房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	100	–	–	Property development
青島越港房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	95	–	–	Property development
鶴山市越恒房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	–	Property development
廣州景耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	–	95	–	–	Property Investment
廣州譽耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	–	95	–	–	Property Investment
廣州佳耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	–	95	–	–	Property Investment
廣州晉耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	–	95	–	–	Property Investment

GROUP STRUCTURE

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.

PRINCIPAL JOINT VENTURES

As at 31 December 2017, the Group held shares/interest in 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
			2017		2016		
			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	—	47.74	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	—	47.74	Property development
深圳銀幸現代養老服務有限公司	China	51	—	48.45	—	—	Elderly care service
武漢中建越秀港投開發有限公司	China	35	—	35	—	—	Property development

GROUP STRUCTURE

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2017, 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
		2017		2016		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong	—	36.72	—	39.10	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	—	15.95	Property development
廣州宏軒房地產開發有限公司	China	—	15.95	—	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	—	44.59	Property development
杭州龍禧房地產開發有限公司	China	—	28.64	—	28.64	Property development
廣州璟曄房地產開發有限公司	China	—	15.95	—	15.95	Property development
杭州星日房地產開發有限公司	China	—	49.03	—	31.95	Property development
廣州宏勝房地產開發有限公司	China	—	49	—	49	Property development
武漢越秀地產開發有限公司	China	—	33	—	—	Property development
廣州合錦嘉苑房地產開發有限公司	China	—	14.25	—	—	Property development
杭州添智投資有限公司	China	—	15.91	—	—	Investment holding
廣州市昊品房地產有限公司	China	—	46.55	—	—	Property development

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