越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2017 Annual Results

Results Summary

- The revenue for the year was approximately RMB23.79 billion, representing a year-on-year increase of 14.0%.
- The gross profit was approximately RMB6.11 billion, representing a year-on-year increase of 40.8%; gross profit margin was approximately 25.7%, representing a year-on-year increase of 4.9 percentage points.
- Profit attributable to equity holders was approximately RMB2.26 billion, representing a year-on-year increase of 46.8%; core net profit* was approximately RMB2.35 billion, representing a year-on-year increase of 36.7%.
- The value of the aggregate contracted sales (including contracted sales by joint venture projects) for the year amounted to approximately RMB40.87 billion, representing 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 average selling price was RMB18,400 per sq.m., representing a year-on-year increase of 41.5%.
- 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., representing a year-on-year increase of 62.9%. The total landbank of the Group was approximately 16.27 million sq.m., representing a year-on-year increase of 20.4%.

- The Group sold 67% equity interest of a commercial property in Qiaokou District of Wuhan to Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), at the consideration of approximately RMB2.01 billion and a gain (before taxation) of approximately RMB0.42 billion.

- The Group's average borrowing interest rate decreased from 4.64% for 2016 to 4.30% for 2017.

- 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.

• Revenue	RMB23.79 billion (+14.0%)
• Gross profit margin	25.7% (+4.9 percentage points)
• Profit attributable to equity holders	RMB2.26 billion (+46.8%)
• Core net profit	RMB2.35 billion (+36.7%)
• Contracted sales value	RMB40.87 billion (+35.1%)
• Unrecognised sales value	RMB39.71 billion (+43.8%)
• Total assets	RMB133.14 billion (+6.2%)
• Cash and cash equivalents and charged bank deposits	RMB20.79 billion (-5.6%)
• Net gearing ratio**	72.8% (+19.7 percentage points)

* Core net profit represents profit attributable to equity holders excluding net fair value losses on revaluation of investment properties and the related tax effect and net foreign exchange loss recognized in the consolidated statement of profit or loss.

** Net gearing ratio represents the borrowings net of cash and cash equivalents and charged bank deposits divided by equity.

RESULTS

The board of directors ("Directors" or "Board") of Yuexiu Property Company Limited ("Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 *RMB'000*	2016 *RMB'000*
Revenue	3	23,793,908	20,871,021
Cost of sales	4	(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		508	26,150
Fair value losses on revaluation of investment properties, net		(119,326)	(307,595)
Other gains, net	5	670,617	1,062,904
Selling and marketing costs	4	(618,959)	(613,279)
Administrative expenses	4	(967,350)	(884,293)
Operating profit		5,073,597	3,623,488
Finance income		276,557	201,321
Finance costs	6	(1,309,699)	(901,962)
Share of profit of			
– joint ventures		81,715	55,061
– associated entities		663,240	385,553
Profit before taxation		4,785,410	3,363,461
Taxation	7	(2,453,764)	(1,636,585)
Profit for the year		2,331,646	1,726,876

	Note	**2017** *RMB'000*	**2016** *RMB'000*
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	8	0.1823	0.1242

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	**2016**
	RMB'000	*RMB'000*
Profit for the year	2,331,646	1,726,876
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,961,077	1,583,815
Investment properties		13,743,710	14,337,252
Land use rights		217,817	233,326
Interests in joint ventures		5,570,130	4,241,073
Interests in associated entities		14,202,652	11,238,601
Available-for-sale financial assets		1,206,645	1,186,208
Deferred tax assets		294,853	221,491
		37,196,884	33,041,766
Current assets			
Properties under development		45,789,461	44,138,207
Properties held for sale		9,322,176	12,683,569
Prepayments for land use rights		9,192,236	5,143,797
Inventories		3,698	47,308
Derivative financial instrument		—	79
Trade receivables	10	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		4,139,112	4,330,554
Cash and cash equivalents		16,655,299	17,691,428
		95,633,596	91,881,609
Non-current assets held-for-sale		312,031	441,541

	Note	2017 RMB'000	2016 RMB'000
LIABILITIES			
Current liabilities			
Trade and note payables	11	157,875	63,499
Advance receipts from customers		17,633,142	16,139,912
Other payables and accrued charges		22,122,179	26,793,143
Borrowings		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
Non-current liabilities			
Borrowings		39,247,462	33,514,935
Deferred tax liabilities		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		12,759,402	12,759,402
Shares held under share award scheme		(21,301)	—
Other reserves		857,379	566,555
Retained earnings		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

1. Basis of preparation

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.

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.

The draft financial information relating to the year ended 31 December 2017 and the financial information relating to the year ended 31 December 2016 included in this Results Announcement for the year ended 31 December 2017 does not constitute the Company's statutory annual consolidated financial statements for these years but, in respect of the year ended 31 December 2016, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The financial statements for the year ended 31 December 2017 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of the Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on the financial statements for the year ended 31 December 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(i) Amended standards adopted by the Group:

The Group has applied 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.

(ii) 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 Ventures	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)	Repayment 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.

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.

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 recognised 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 financing 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) represent separate performance obligations 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 does 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 or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

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 on 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. The Group estimates those relate to payments 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 or after 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.

3 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.

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	**2016**
	RMB'000	*RMB'000*
Segment results	4,496,556	2,645,004
Unallocated operating costs (note)	(93,576)	(84,420)
Other gains, net	670,617	1,062,904
Operating profit	5,073,597	3,623,488
Finance income	276,557	201,321
Finance costs	(1,309,699)	(901,962)
Share of profit of:		
– joint ventures	81,715	55,061
– associated entities	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.

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	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, interests 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).

4 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	431,869	138,906
Direct operating expenses arising from investment properties	187,649	184,711
Depreciation	32,838	43,538
Amortisation of land use rights	10,500	11,132
Operating leases - Land and buildings	63,850	56,733
Auditor's remuneration	6,000	6,000
Employee benefit expenses	1,332,561	1,094,996
Provision for impairment of properties held for sale	319,496	240,243
Other expenses	222,795	100,794
	19,272,110	18,028,992

5 Other gains, net

	2017	2016
	RMB'000	*RMB'000*
Gain on disposal of subsidiaries	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

6 Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings and overdrafts	1,384,525	1,415,379
Interest on borrowings from an associated entity	20,742	15,798
Interest on borrowings from an intermediate holding company	108,997	80,699
Interest on other borrowings	524,464	364,633
Interest on other payable (note)	142,368	181,209
Net foreign exchange loss on financing activities	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	(899,594)	(1,427,960)
	1,309,699	768,870
Loss on extinguishment of financial liabilities and bonds denominated in foreign currency	—	133,092
	1,309,699	901,962

Note:

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.

7 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	**2016**
	RMB'000	*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

8 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).

9 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	**2016**
	RMB'000	*RMB'000*
Interim, paid, of HKD0.040 equivalent to RMB0.034 (2016: HKD0.033 equivalent to RMB0.028) per ordinary share	442,279	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

10 Trade receivables

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

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

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

11 Trade and note payables

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

	2017	2016
	RMB'000	*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

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.

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.

“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.

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.

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.

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.

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.

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.

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.

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**

No.	Project	GFA	Value	ASP
		(sq.m.)	*(RMB mil)*	*(RMB/sq.m.)*
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**
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**

No.	Project	GFA	Value	ASP
		(sq.m.)	*(RMB mil)*	*(RMB/sq.m.)*
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**

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**

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
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**
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**

No.	Project	GFA	Value	ASP
		(sq.m.)	*(RMB mil)*	*(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**

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
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**

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

No.	Project	Equity holding	Total GFA *(sq.m.)*	Attributable GFA *(sq.m.)*
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**

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**

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**

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.

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).

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	**31 December 2016**
	RMB'000	*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	**31 December 2016**
	RMB'000	*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%

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.

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.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2017.

Code Provision A.4.1

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

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.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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.

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.

By order of the Board
Yuexiu Property Company Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 28 February 2018

As at the date of this announcement, the Board comprises:

Executive Directors:	*ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and CHEN Jing*
Independent Non-executive Directors:	*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*