



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code : 00123

**Where Good
Living Starts**



Annual Report 2018



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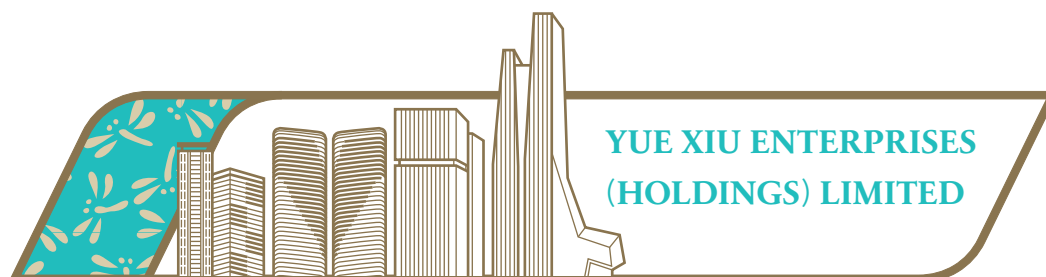
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CORPORATE STRUCTURE

As at 31 December 2018



100%



49.67%



36.12%



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Lin Zhaoyuan (Chairman)
Mr Lin Feng
Mr Li Feng
Ms Chen Jing
Ms Liu Yan

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

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

WEBSITES TO ACCESS COMPANY INFORMATION

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

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

Notes and Bonds

The Stock Exchange of Hong Kong Limited

U.S.\$500,000,000 4.50 per cent. Notes due 2023
(Code: 4597)
HK\$2,300,000,000 6.10 per cent. Notes due 2029
(Code: 5846)
U.S.\$800,000,000 4.875 per cent. Notes due 2021
(Code: 4467)
U.S.\$400,000,000 5.375 per cent. Notes due 2023
(Code: 4468)

Shanghai Stock Exchange

RMB1,000,000,000 2.95 per cent. Corporate Bonds due 2019 (16 穗建 01 Code: 136600)
RMB2,000,000,000 3.00 per cent. Corporate Bonds due 2021 (16 穗建 02 Code: 136601)
RMB2,500,000,000 2.97 per cent. Corporate Bonds due 2022 (16 穗建 03 Code: 136678)
RMB500,000,000 3.19 per cent. Corporate Bonds due 2021 (16 穗建 04 Code: 136679)
RMB1,500,000,000 2.95 per cent. Corporate Bonds due 2021 (16 穗建 05 Code: 136732)
RMB500,000,000 3.15 per cent. Corporate Bonds due 2023 (16 穗建 06 Code: 136733)
RMB800,000,000 4.24 per cent. Corporate Bonds due 2021 (18 穗建 01 Code: 143854)
RMB700,000,000 4.25 per cent. Corporate Bonds due 2023 (18 穗建 02 Code: 143855)

INVESTOR RELATIONS

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

For the year ended 31 December

RMB'000	2018	2017	2016	2015	2014
Revenue	26,433,444	23,793,908	20,871,021	22,115,677	15,701,739
Gross profit	8,392,922	6,108,107	4,339,601	4,658,816	4,138,021
Profit attributable to equity holders					
– from continuing operations	2,727,885	2,260,242	1,540,154	1,012,889	2,471,255
Basic earnings per share					
– from continuing operations (RMB)	0.2200	0.1823	0.1242	0.0817	0.2329

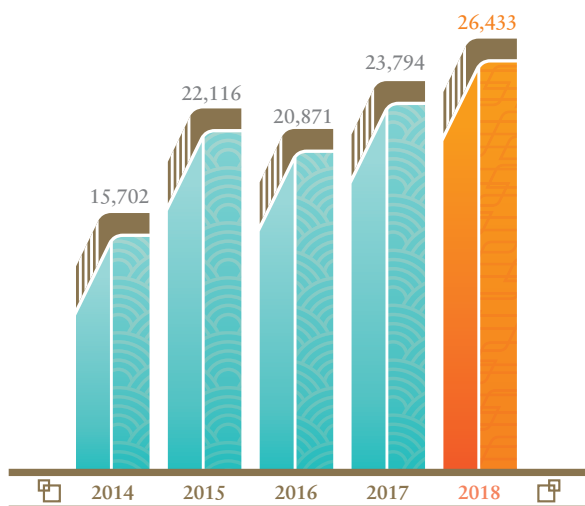
BALANCE SHEET HIGHLIGHTS

As of 31 December

RMB'000	2018	2017	2016	2015	2014
Total cash (including cash, cash equivalents and charged bank deposits)	27,159,262	20,794,411	22,021,982	15,168,118	12,957,343
Total assets	168,820,498	133,142,511	125,364,916	112,024,654	93,075,353
Total assets less current liabilities	96,191,429	80,945,660	72,438,260	69,490,564	59,116,252
Shareholders' equity	33,826,567	32,385,638	30,623,986	29,618,176	29,103,975
Shareholders' equity per share (RMB)	2.728	2.611	2.469	2.388	2.347

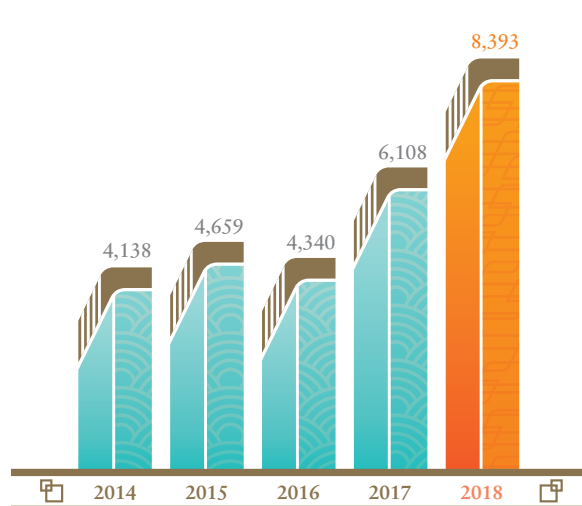
REVENUE

(RMB million)



GROSS PROFIT

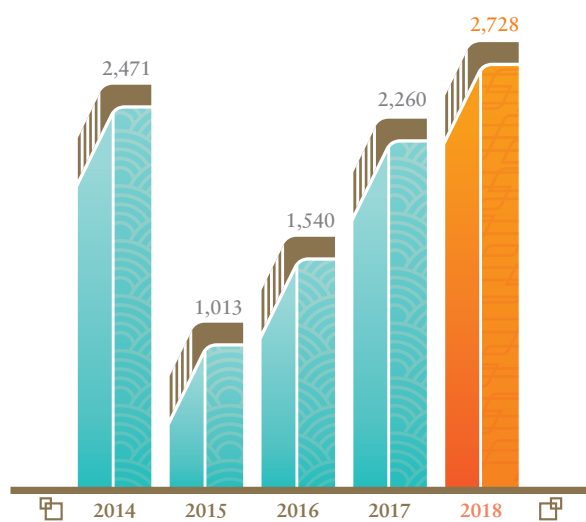
(RMB million)



FINANCIAL HIGHLIGHTS

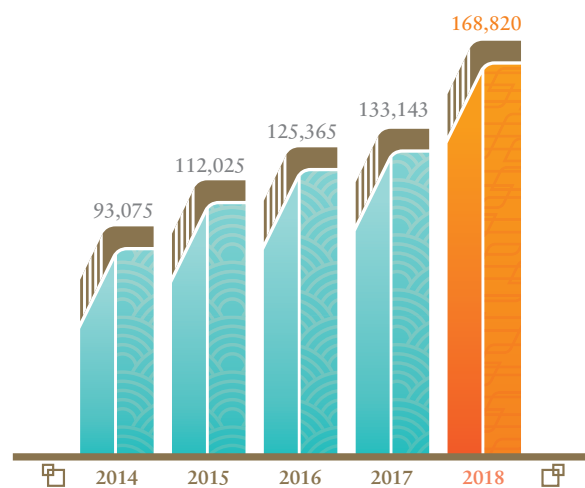
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



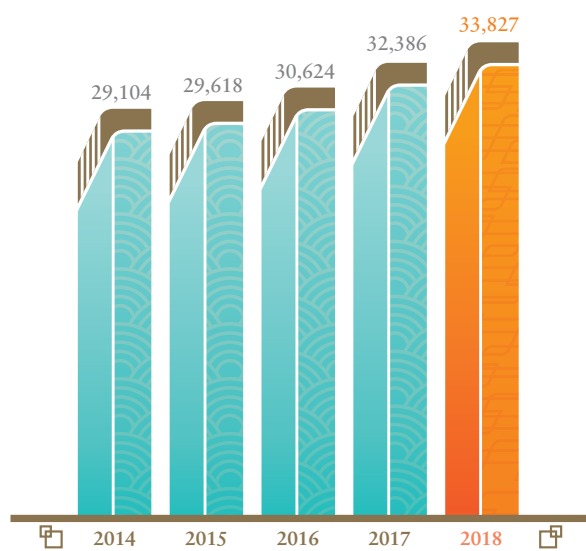
TOTAL ASSETS

(RMB million)



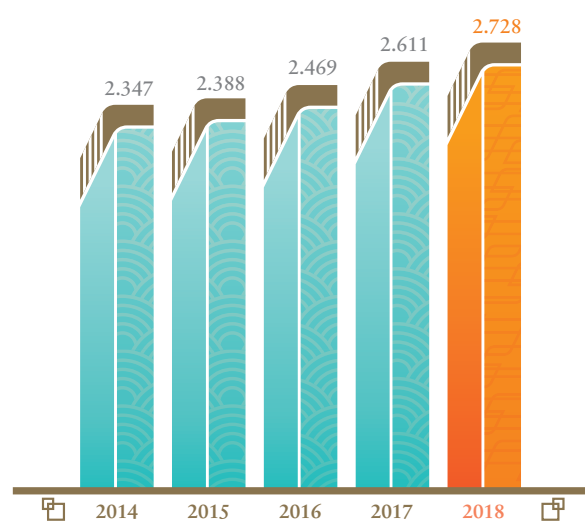
SHAREHOLDERS' EQUITY

(RMB million)



SHAREHOLDERS' EQUITY PER SHARE

(RMB Yuan)



KEY EVENTS OF THE YEAR

1

In 2018, the value of the aggregate contracted sales of the Group was approximately RMB57.78 billion, hit a new record high, a year-on-year increase of 41.4%, and exceeding the full year contracted sales target of RMB55.0 billion.

2

The Group added 16 lots of high-quality land in key cities such as Guangzhou, Suzhou, Wuhan and two new cities such as Xiangyang and Ji'nan with a total GFA of approximately 5.05 million sq.m., further consolidating its market presence in the three core regions of Greater Bay Area, Yangtze River Delta and Central China Region.

3

The Group successfully issued USD800 million 3-year and USD400 million 5.5-year offshore corporate bonds with coupon rates of 4.875% and 5.375% respectively.

4

The Group disposed the Hangzhou Victory Center to Yuexiu Real Estate Investment Trust, and continued to deepen the whole industry chain business model of "development + operations + securitisation".

5

The Group signed cooperation agreements with Taiwan Rui Guang Healthcare Group, Adef Residences Group (France) and Zhu Jiang Hospital to jointly explore China's healthcare and elderly care integration market, establish a sound, efficient and coordinated "healthcare and elderly care" community, realize the seamless combination of the two fields, and consolidate the market presence of elderly-care business.

KEY EVENTS OF THE YEAR

7

The Group successfully issued RMB800 million 3-year and RMB700 million 5-year onshore corporate bonds with coupon rates of 4.24% and 4.25% respectively.

6

The Group was included as a constituent of the Hang Seng Stock Connect Big Bay Area Composite Index, and the Hang Seng SCHK High Dividend Low Volatility Index, which will help broaden the Group's shareholder base.

8

Marriott Hotel Liangzhou Lin'an under the Group officially opened which built a benchmark for the local high-end hotel industry, and further enhanced the Group's commercial operation capability.

9

The Group won the "Corporate Governance Gold Award 2018" awarded by "The Asset" Magazine in Hong Kong for the seventh consecutive year, which was helpful to enhance the reputation and prestige of the Group.

10

The Group published Environmental, Social and Governance (ESG) Report and hence received a number of influential ESG awards, such as "Best in ESG Awards" and "Best in ESG Reporting Awards" highlighting the appreciation of the capital market for our corporate social responsibility.





CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



MR LIN ZHAOYUAN
Chairman



I. BUSINESS REVIEW

Economic and Market Environment

In 2018, the global economy continued its moderate growth with a weakened momentum. Financial markets and bulk commodity prices fluctuated significantly. Global economic downturn risks increased. In the US, the economy recorded a robust growth and outperformed the market expectations. However, the trade protectionism was on the rise. The US Federal Reserve raised the interest rate, thereby forming uncertainties on the global economic recovery. In Europe, the economic growth dropped. In Japan, the economic recovery was slow. In emerging economies, the performance varied considerably, the capital outflows increased and the financial markets continued to be volatile. In 2018, under the overarching principle of “seeking growth while maintaining stability”, Chinese economy achieved a sound development overall with a steady progress amid the sophisticated international and domestic environment. Leveraging the advancement of the structural reform, transformation and upgrade, enhancement of the reform and opening up as well as continuous improvement of the quality of economic development, the economy achieved a year-on-year growth of 6.6% in GDP.

The PRC property market as a whole presented a stable development in 2018. The GFA of commodity housing sales was approximately 1.72 billion sq.m., representing a year-on-year increase of 1.3%, while commodity housing sales value was approximately RMB1.5 trillion, representing a year-on-year increase of 12.2%. The property sector continued to play a pillar role in the national economy. In 2018, property market policies are “implemented based on each city and control measures are categorised”, the control policies serve to tighten up as well as maintain stability, and the market expectations become rational gradually, as a result of which the control policies achieved successes by stages. The property market continued to see a clear regional differentiation. In tier-1 and major tier-2 cities, the transactions were steady; however, the supply still failed to meet demand in the market. The trading volume rose substantially in certain tier-3 and tier-4 cities, where the housing prices increased significantly. However, the areas experiencing population outflow still faced the “de-stocking” pressures. In order to stabilise the housing prices, local governments increased the supply of land. Meanwhile, due to market modification, the land market saw a declining competition in the second half of the year. With the tightening of credit funds, the financing cost continued to rise.

CHAIRMAN'S STATEMENT

Sustainable Growth in Operating Results

In 2018, the Group centered on the annual work theme of “operation-driven quality improvement, innovation-driven development.” By improving the management ability and innovating the development model, the Group built the core ability of the business development and realised sustained and stable business growth.

In 2018, the revenue of the Group was approximately RMB26.43 billion, representing a year-on-year increase of 11.1%. The gross profit margin was approximately 31.8%, representing a year-on-year increase of 6.1 percentage points. Profit attributable to equity holders was approximately RMB2.73 billion, representing a year-on-year increase of 20.7%. Core net profit (profit attributable to equity holders excluding net value added 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 RMB2.81 billion, representing a year-on-year increase of 19.6%. As at 31 December 2018, the unrecognized sales value amounted to RMB63.90 billion, representing a year-on-year increase of 60.9%.

The Board has resolved to declare a final dividend for 2018 of HKD0.051 per share (equivalent to RMB0.044 per share). Together with the interim dividends, total dividends for the full year of 2018 was HKD0.093 per share (equivalent to RMB0.080 per share). Calculated in Hong Kong dollars, the dividend per share for the full year of 2018 increased by 1.1% on a year-on-year basis.

Substantial Growth in Contracted Sales

In 2018, facing the continuous tightening policies and tough market, the Group adjusted the sales strategy in a timely manner according to the specific conditions of different markets, accelerated the pace of sales and cash collection of sales proceeds, and achieved positive sales performance. During the year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB57.78 billion, 41.4% up on a year-on-year basis and the contracted sales GFA was approximately 2.77 million sq.m., 24.7% up on a year-on-year basis, which accounted for approximately 105.1% of the full year contracted sales target of RMB55.0 billion. The average selling price was RMB20,900 per sq.m., 13.6% up on a year-on-year basis. The aggregate contracted sales value in Greater Bay Area, Yangtze River Delta and Central China Region was approximately RMB53.68 billion, accounting for approximately 92.9% of the Group's total contracted sales.

Increase High-quality Landbank through Diversified Models

In 2018, through various models including cooperation with state-owned enterprises, open auction, mergers and acquisitions, etc., the Group newly acquired 16 prime land parcels located in eight cities including Guangzhou, Jiangmen, Wuhan, Xiangyang, Suzhou, Yantai, Qingdao, and Ji'nan at low premiums, with a total GFA of approximately 5.05 million sq.m.. In terms of the attributable interest to the Group, the attributable GFA was approximately 1.92 million sq.m..

CHAIRMAN'S STATEMENT

As at 31 December 2018, the total landbank of the Group was approximately 19.41 million sq.m.. In accordance with the development strategy of the “13th Five-year Plan”, in terms of regional expansion layout, the Group made Greater Bay Area, Yangtze River Delta, and Central China Region as its three core growth regions. The Group's landbank was in 14 cities, with approximately 86.3% located in Greater Bay Area, Yangtze River Delta and Central China Region.

Continuous Improvement in Financial Position

In 2018, fully leveraging the advantages of diversified onshore and offshore financing channels, the Group strengthened capital management, and optimised the financing models. The Group successfully issued USD800 million 3-year and USD400 million 5.5-year offshore corporate bonds with coupon rates of 4.875% and 5.375% respectively, and issued RMB800 million 3-year and RMB700 million 5-year onshore corporate bonds with coupon rates of 4.24% and 4.25% respectively, thereby optimising the debt portfolio and debt structure. As at the end of 2018, the Group's total cash and cash equivalents and charged bank deposits amounted to approximately RMB27.16 billion, representing an increase of 30.6% as compared to the beginning of the year; and its net gearing ratio was 61.2% and decreased by 11.6 percentage points as compared to the beginning of the year.

Steady Development of Commercial Properties

The Group strives to develop its commercial operation capacity, optimise the dual platform of “Yuexiu Property-Yuexiu REIT”, develop commercial properties business as an “stabiliser” for the Group. In 2018, the Group disposed Hangzhou Victory Business Center, a high-quality property to Yuexiu REIT at a total consideration of RMB557 million, further implementing the development model of “development + operations + securitisation”. As at the end of 2018, the Group directly owned approximately 0.81 million sq.m. of investment properties for lease and recorded a rental income of approximately RMB685 million, representing a year-on-year increase of 10.8%. The Group holds 36.12% of Yuexiu REIT, which had 0.97 million sq.m. of commercial properties for lease, achieving a revenue of approximately RMB2.03 billion for the year, representing a year-on-year increase of 9.6%.

CHAIRMAN'S STATEMENT

Constant Improvement in Operation Capabilities

The Group continued to upgrade and optimise the internal management system, focusing on optimising the control of business lines such as construction, product and cost. On the basis of placing equal emphasis on quality and speed, the Group focused on strengthening the capacity to build a “fast turnover” system, substantially improving the efficiency of development. According to the characteristics of different projects in regional markets and policy changes, the Group linked product planning with R&D, achieving significant improvement in product competitiveness. The Group carried out targeted optimisation measures in the procurement process, further consolidating the basis of cost control. At the same time, the Group stepped up the cultivation and introduction of core talents, optimised the talent evaluation and development system, accelerated the continuous optimisation and comprehensive coverage of short-term, medium-term and long-term performance incentive system, stimulated the vitality of human resources and provided human capital support for the development of the Company.

Smooth Expansion of New Businesses

In 2018, the Group's urban renewal business went smoothly, the “Railway + Properties” development model registered substantial progress, and development by cooperating with state-owned enterprises and urban renewal projects covering old towns, old plants and old villages also progressed steadily. The business pattern of the elderly-care business has been fully developed. The occupancy rate of Yinxing Yiyuan Project in Guangzhou which is in operation reached 90%, and it was rated as a five-star elderly-care institution in Guangdong Province. Its Chigang branch also opened at the end of the year, and the market responded well. The housing leasing business progressed steadily. Three projects were under operation in the year, and several projects were under development. The Group is actively pursuing strategic cooperation with Guangzhou state-owned enterprises for multi-channel access to acquire quality projects.



CHAIRMAN'S STATEMENT

II. BUSINESS OUTLOOK

Looking forward to 2019, the global economy will continue to grow slowly, and the prospect of China-US trade negotiations will bring uncertainties to the recovery of the global economy. The external environment is complex and grave, and changes and worries weighed on stable economic operation. Chinese economy is still in and will remain in an important period of strategic opportunities for a long time. It is expected that the government will continue to adhere to the overarching principle of “seeking growth while maintaining stability” while insisting on the main direction of the supply-side structural reform. Also, the government will accelerate the construction of a modern economic system, innovate and improve macro-control, coordinate and promote stable growth, advance reform, adjust structure, improve people’s well-being, and guard against risks. Moreover, the government will continue to adopt proactive fiscal policies and prudent and neutral monetary policies. It is anticipated that Chinese macroeconomy will maintain a continuous and steady growth as a whole in 2019.

In 2019, as an important pillar of the national economy, the real estate industry is expected to remain stable as a whole. The regulatory policies on the real estate market will continue and remain stable, focusing on city-specific policies and policy optimisation, speeding up the long-term mechanism of the real estate market, and ensuring the steady and healthy development of the real estate industry. The real estate market is expected to remain basically stable in general supply and price with continuous market differentiation. The market in the tier-1 and certain key tier-2 cities will stabilise. The market demand support base of tier-3 and tier-4 cities is relatively weak, therefore the downward pressure of sales is relatively high. However, cities that are dominated by first-home buyers and upgraders will have development opportunities. The government will continue to increase the supply of land and optimise the supply structure so that the land market will gradually return to rational. Supply of credit fund will remain stable in general, but is eased moderately in response to the economic downturn. Funding cost tends to decline, and the financing environment will gradually improve. At the same time, there will be many new opportunities for new business such as commercial properties, elderly-care industry and long-term leasing business, and the real estate industry will remain in a stable development period.

Achieving Annual Targets

In 2019, the Group will adhere to the theme of “in-depth management ability improvement, operation-driven development” and devote every effort to achieve its annual sales and business targets. With regard to sales, the Group will achieve high sell-through rate and cash collection rate through managing the pace of sales, precise launches, flexible marketing and innovative channels, with an aim to achieve the annual sales target. With regard to the operation, the Group will speed up project development and asset turnover to continuously enhance profitability and ROE level. With regard to the product development, adhering to customer needs to improve the competitiveness of products, the Group will focus on building and optimising its product lines to better satisfy with rigid and improved demand. With respect to the human resource, the Group will deepen the implementation of the mechanism of co-investment and share incentive scheme, step up the cultivation and introduction of core talents, thereby enhancing the organizational support capability of business.

CHAIRMAN'S STATEMENT

Consolidating the Unique Resource Acquisition Platform

The Group will continue to cultivate its unique advantage to acquire quality land resources via various means, forming a multi-channel model combination of “Open Market Auctions + Group Incubation + Cooperation with State-owned Enterprises + Railway + Urban Renewal + Merger and Acquisition + Business parks”. The Group will focus on fast turnover projects in accordance with the requirement of controlled pace, optimised structure, strict standard and precise layout in open land market. The Group will deepen and leverage the advantages of cooperation with state-owned enterprises, and continue to expand the depth and breadth of cooperation with the “Railway + Properties” to acquire land resources. Furthermore, via deep participation in urban renewal projects, the Group will actively pursue merger & acquisition opportunities in the secondary market. Following the national strategy of the Greater Bay Area, the Group will seize the opportunities of strategic development of the Greater Bay Area to maintain and further strengthen its dominant position in market.

Upholding the Strategy of “Coordinated Development of Both Residential and Commercial Properties”

“Coordinated development of both residential and commercial properties” is one of the important development strategies of the Group. The Group will continue to deepen the whole industry chain business model of “development + operations + securitisation”. On one hand, by accelerating the enhancement of planning, professional operational capabilities, the Group will strengthen its basic commercial property steadily. On the other hand, by continuous enhancement of investment acquisition and capital operation, the Group will proactively explore asset-light fast-turnover business model, thus developing commercial properties business into an important “stabiliser” and core competitive advantage of the Group.

Ensuring Financial Prudence and Security

In light of liquidity risks, interest rate risks and foreign exchange risks arising from increased economic volatility, the Group will speed up collection of sales proceeds. Moreover, the Group will make full use of all kinds of financial instruments through the comprehensive use of onshore and offshore financing channels to leverage the advantage of whole industry chain for financing, optimise capital management, thereby reducing the funding cost, and providing multiple financing channels as well as reasonable debt structure. At the same time, the Group shall further strengthen the function of risk control, improve the financial risk monitoring system, and enhance the risk early-warning.

Steady Advancement of New Businesses

Regarding the urban renewal business, the Group will fully leverage the advantages of resources of state-owned enterprises, expand the urban renewal business, and deepen the collaboration model with “Railway + Properties”. The Group also strengthens the cooperation with state-owned enterprises to tap into their stock of land resources. Moreover, in order to continuously acquire quality land resources the Group will actively participate in “three old” redevelopments. For elderly-care business, the Group will effectively operate existing projects, actively explore new projects, integrate medical care and resources at home and abroad, and create a model of combining medical care and elderly care, both in multi-ways and multi-levels. Concerning the long-term leasing business, the Group will speed up housing leasing business through multi-platforms, multi-channels and multi-ways, focus on the state-owned stock projects cooperation and asset-light operation model. Emphasis will also be placed on steadily strengthening the development of property “+ industries”, “+ towns” and other new businesses. Meanwhile, the Group will integrate high-quality educational resources from Guangdong-Hong Kong-Macau Greater Bay Area to accelerate “+ education” business.


CHAIRMAN'S STATEMENT

ACKNOWLEDGMENT

2019 is a crucial year for implementing the Group's "13th Five-year" development plan. The Group will take advantage of current important strategic development opportunities, focus on three core regions, namely Greater Bay Area, Yangtze River Delta and Central China Region. The Group will strive to strengthen and optimise the development and operation of residential and commercial properties, foster new businesses such as urban renewal, elderly-care and long-term leasing businesses, comprehensively enhance the professionalism and competitiveness of all links of the real estate industry value chain and continue to improve the rate of return on capital of shareholders. 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 proper leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full trust and dedicated support.

Mr Lin Zhaoyuan

Chairman



MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In 2018, the Group realized revenue of approximately RMB26.43 billion (2017: RMB23.79 billion), representing a year-on-year increase of 11.1%. The total revenue (including proceeds from sales of investment properties) was approximately RMB26.53 billion (2017: RMB24.14 billion), representing a year-on-year increase of 9.9%. The gross profit was approximately RMB8.39 billion (2017: RMB6.11 billion), representing a year-on-year increase of 37.4%, and the gross profit margin reached approximately 31.8%, representing a year-on-year increase of 6.1 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2018, profit attributable to equity holders of the Group was approximately RMB2.73 billion (2017: RMB2.26 billion), a year-on-year increase of 20.7%. If the net fair value gains 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 RMB2.81 billion (2017: RMB2.35 billion), a year-on-year increase of 19.6% and core net profit margin was approximately 10.6%.

CONTRACTED SALES

In 2018, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB57.78 billion, a year-on-year increase of 41.4% and accounted for approximately 105.1% of the full year contracted sales target of RMB55.0 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.77 million sq.m., representing a year-on-year increase of 24.7%. The average selling price was approximately RMB20,900 per sq.m., a year-on-year increase of 13.6%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2018, Guangzhou accounted for approximately 52.3%, Pearl River Delta (excluding Guangzhou) accounted for approximately 7.7%, Yangtze River Delta accounted for approximately 22.2%, Central China Region accounted for approximately 10.7%, Bohai Rim accounted for approximately 7.1%.

In 2018, 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 RMB53.68 billion, accounting for approximately 92.9% of the total contracted sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Greater Bay Area

The Group has already established operations in Guangzhou, Hong Kong, Foshan, Jiangmen and Zhongshan, within Greater Bay Area. In 2018, with implementation of the favourable policies on Greater Bay Area, the property market of cities in Greater Bay Area developed in a sustainable and steady manner.

In 2018, the property market of Guangzhou was affected by stringent control policies. Total area of commodity residential housing sold in Guangzhou dropped year on year, while the average selling price was increased in a continuous and steady manner, such that the overall volume of transactions recorded a rise. The Group proactively responded to the control situation and further strengthened and developed its leading position in the property market of Guangzhou. In 2018, the contracted sales value in Guangzhou amounted to approximately RMB30.20 billion, up 64.2% on a year-on-year basis, while the average selling price was approximately RMB28,900 per sq. m., up 7.4% on a year-on-year basis.

Following the implementation of favourable policies for the national level free trade zone, Nansha District of Guangzhou, saw active transactions in the property market in 2018 as supported by continuous development of industries in the district. The Group proactively captured the market opportunity and speeded up the product launches based on the market demand. In 2018, the contracted sales value in Nansha amounted to approximately RMB8.29 billion, up 132.9% on a year-on-year basis, while the average selling price was approximately RMB18,600 per sq. m., up 6.9% on a year-on-year basis.

Affected by the control policies, the property market of Foshan, Zhongshan and Jiangmen in 2018 was steady overall, while the average selling price was increased stably. In 2018, the contracted sales value of the Group in Pearl River Delta (except Guangzhou) amounted to approximately RMB4.46 billion, representing a year-on-year decrease of 13.0%, while the average selling price was approximately RMB10,700 per sq. m., representing a year-on-year increase of 5.9%.

Yangtze River Delta

The Group has already established operations in Hangzhou and Suzhou, within Yangtze River Delta. In 2018, although the property market of Hangzhou and Suzhou was affected by the stringent control policies, the overall volume of transactions and the average selling price remained steady. In 2018, the contracted sales value of the Group in Yangtze River Delta amounted to approximately RMB12.84 billion, representing a year-on-year increase of 49.2%, while the average selling price was approximately RMB21,000 per sq. m., representing a year-on-year increase of 16.7%.

Central China Region

In 2018, the Group has focused on Wuhan within Central China Region. Due to the implementation of favourable policies in support of buyers with rigid demand to buy properties and of attracting talents, the destocking of Wuhan in 2018 was satisfactory. The Group promoted sales through diversified channels. In 2018, the contracted sales value in markets of Central China Region amounted to approximately RMB6.17 billion, up 38.6% on a year-on-year basis, while the average selling price was approximately RMB18,600 per sq. m., down 31.4% on a year-on-year basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales are summarised as follows:

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	4,600	333	72,400
2	Guangzhou Fortune Century Square	5,900	368	62,400
3	Guangzhou Starry Haizhu Bay	114,200	5,693	49,900
4	Guangzhou Yuexiu Greenland Haiyue	37,500	1,969	52,500
5	Guangzhou Starry Golden Sands	2,600	37	14,200
6	Guangzhou Starry Sky City	67,200	2,817	41,900
7	Guangzhou Purple Cloud Mansion	106,900	4,586	42,900
8	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	8,700	422	48,500
9	Guangzhou Starry Wenhua	1,200	39	31,600
10	Guangzhou Paradiso Riverside	6,300	96	15,200
11	Guangzhou Lingnan Hillside	4,300	45	10,500
12	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Factory Land)	13,300	507	38,100
13	Guangzhou Lingnan Villas	4,200	39	9,300
14	Guangzhou Lingnan Wood	6,200	69	11,100
15	Guangzhou Yuexiu Poly Aite City	190,600	4,342	22,800
16	Nansha Southern Le Sand	171,500	3,208	18,700
17	Nansha Binhai New City	247,700	4,461	18,000
18	Nansha Yuexiu East Hillside	27,100	623	23,000
19	Huadu Elegant Mansion	6,900	224	32,500
	Other Projects	16,500	326	19,800
Subtotal (Guangzhou)		1,043,400	30,204	28,900

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
20	Nanhai Starry Mansion	12,000	223	18,600
21	Nanhai Starry Winking	12,300	229	18,600
22	Foshan Lingnan Junting	13,100	208	15,900
23	Foshan Paradiso Power	5,000	67	13,400
24	Foshan Longfor Yuexiu Cloud Mansion	12,400	105	8,500
25	Jiangmen Starry Regal Court	61,700	398	6,500
26	Jiangmen Xijiang Mansion	14,100	176	12,500
27	Jiangmen Xijiang Joy Mansion	1,300	17	13,100
28	Jiangmen Starry Mountain	43,100	532	12,300
29	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	54,000	554	10,300
30	Heshan Starry Regal Court	94,200	774	8,200
31	Zhongshan Starry Winking	3,000	22	7,300
32	Zhongshan Starry Peakfield	81,800	1,054	12,900
33	Zhongshan Starry Junting	900	9	10,000
34	Zhongshan Paradiso Jadin	10,100	95	9,400
Subtotal (Pearl River Delta ex. Guangzhou)		419,000	4,463	10,700
35	Hangzhou Starry City	228,100	3,253	14,300
36	Hangzhou Starry Joy City	5,000	50	10,000
37	Hangzhou Starry Upper City	1,500	26	17,300
38	Hangzhou Victory Center	700	18	25,700
39	Hangzhou Crystal City	2,200	34	15,500
40	Hangzhou Qinaili Lane	2,700	90	33,300
41	Hangzhou Joy Mountain	120,300	2,109	17,500
42	Hangzhou Lake & Mountain	61,300	1,021	16,700
43	Hangzhou Garden 1872	60,100	2,401	40,000
44	Hangzhou Joy Bay	71,100	2,828	39,800
45	Suzhou Paradiso Pavilion	20,400	76	3,700
46	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	30,600	743	24,300
47	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	8,500	189	22,200
Subtotal (Yangtze River Delta)		612,500	12,838	21,000

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
48	Wuhan Starry Emperor	46,300	582	12,600
49	Wuhan International Financial City	64,700	2,387	36,900
50	Wuhan Starry Mountain	36,000	950	26,400
51	Wuhan Starry Bay	59,100	934	15,800
52	Wuhan Yuexiu Paradiso Mansion	8,000	123	15,400
53	Wuhan Yuexiu Paradiso Garden	46,700	581	12,400
54	Wuhan Joy Mansion	71,900	616	8,600
Subtotal (Central China Region)		332,700	6,173	18,600
55	Shenyang Starry Winking	2,600	28	10,800
56	Shenyang Hill Lake	2,400	21	8,800
57	Shenyang Starry Blue Sea	84,300	1,399	16,600
58	Yantai Starry Golden Sands	89,000	739	8,300
59	Yantai Starry Phoenix	2,000	12	6,000
60	Yantai Elegant Mansion	64,800	718	11,100
61	Qingdao Starry Blue Bay	19,800	225	11,400
62	Qingdao Infinite Mansion	1,100	22	20,000
63	Qingdao Elegant Mansion	71,700	630	8,800
64	Qingdao Jiaozhou Platinum Mansion	12,900	185	14,300
65	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	9,700	102	10,500
66	Ji'nan Gemdale Yuexiu Art Living	1,000	24	24,000
Subtotal (Bohai Rim)		361,300	4,105	11,400
Total		2,768,900	57,783	20,900

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED SALES

In 2018, the value of the recognised sales (including proceeds from sales of investment properties) was approximately RMB24.39 billion, a year-on-year increase of 10.1%, and recognised sales GFA was approximately 1.71 million sq.m., a year-on-year decrease of 12.2%, and the average selling price was approximately RMB14,300 per sq.m..

Recognised sales are summarised as follows:

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	4,300	298	69,300
2	Guangzhou Fortune Century Square	5,200	285	54,800
3	Guangzhou Starry Haizhu Bay	42,000	1,293	30,800
4	Guangzhou Starry Golden Sands	1,500	25	16,700
5	Guangzhou Starry Sky City	49,300	1,325	26,900
6	Guangzhou Starry Wenhua	2,100	73	34,800
7	Guangzhou Starry Wenyu	3,300	54	16,400
8	Guangzhou Paradiso Riverside	5,900	84	14,200
9	Guangzhou Lingnan Hillside	36,300	420	11,600
10	Guangzhou Lingnan Villas	3,100	29	9,400
11	Nansha Southern Le Sand	108,000	1,524	14,100
	Other Projects	14,800	183	12,400
	Subtotal (Guangzhou)	275,800	5,593	20,300
12	Nanhai Starry Winking	14,600	264	18,100
13	Foshan Lingnan Junting	12,100	175	14,500
14	Foshan Paradiso Power	5,700	79	13,900
15	Jiangmen Starry Regal Court	4,200	39	9,300
16	Jiangmen Xijiang Joy Mansion	138,000	1,142	8,300
17	Jiangmen Starry Mountain	119,300	1,273	10,700
18	Zhongshan Starry Winking	3,500	31	8,900
19	Zhongshan Starry Peakfield	2,700	24	8,900
20	Zhongshan Starry Junting	1,000	10	10,000
21	Zhongshan Paradiso Jadin	92,200	585	6,300
	Subtotal (Pearl River Delta ex. Guangzhou)	393,300	3,622	9,200

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
22	Hangzhou Starry City	178,500	1,589	8,900
23	Hangzhou Starry Joy City	9,000	86	9,600
24	Hangzhou Starry Upper City	19,800	379	19,100
25	Hangzhou Victory City	1,400	36	25,700
26	Hangzhou Qinai Lane	60,900	1,630	26,800
27	Suzhou Paradiso Pavilion	3,800	50	13,200
28	Suzhou Starry Pavilion	79,500	1,022	12,900
Subtotal (Yangtze River Delta)		352,900	4,792	13,600
29	Wuhan Starry Emperor	75,900	1,023	13,500
30	Wuhan International Financial City	170,000	4,956	29,200
31	Wuhan Starry Mountain	35,600	774	21,700
Subtotal (Central China Region)		281,500	6,753	24,000
32	Shenyang Starry Winking	70,300	1,086	15,400
33	Shenyang Hill Lake	1,100	10	9,100
34	Shenyang Starry Blue Sea	12,900	94	7,300
35	Yantai Starry Golden Sands	174,900	1,160	6,600
36	Yantai Starry Phoenix	1,800	10	5,600
37	Qingdao Starry Blue Bay	12,200	127	10,400
38	Qingdao Infinite Mansion	16,600	134	8,100
39	Qingdao Elegant Mansion	115,400	1,006	8,700
Subtotal (Bohai Rim)		405,200	3,627	9,000
Total		1,708,700	24,387	14,300

MANAGEMENT DISCUSSION AND ANALYSIS

UNRECOGNISED SALES

As at 31 December 2018, the value of the unrecognised sales amounted to approximately RMB63.90 billion, and GFA of the unrecognised sales was approximately 2.73 million sq.m.. The average selling price was approximately RMB23,400 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	5,600	375	67,000
2	Guangzhou Starry Haizhu Bay	197,600	9,610	48,600
3	Guangzhou Yuexiu Greenland Haiyue	128,400	5,526	43,000
4	Guangzhou Starry Sky City	111,300	4,700	42,200
5	Guangzhou Purple Cloud Mansion	135,300	5,851	43,200
6	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	8,700	421	48,400
7	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Factory Land)	13,300	507	38,100
8	Guangzhou Yuexiu Poly Aite City	191,200	4,477	23,400
9	Nansha Southern Le Sand	128,800	2,947	22,900
10	Nansha Binhai New Town	353,800	6,252	17,700
11	Nansha Yuexiu East Hillside	27,100	623	23,000
12	Huadu Elegant Mansion	6,900	224	32,500
	Subtotal (Guangzhou)	1,308,000	41,513	31,700
13	Nanhai Starry Mansion	12,000	223	18,600
14	Nanhai Starry Winking	4,900	96	19,600
15	Foshan Longfor Yuexiu Cloud Mansion	12,400	105	8,500
16	Jiangmen Starry Regal Court	59,900	383	6,400
17	Jiangmen Xijiang Joy Mansion	26,700	251	9,400
18	Jiangmen Starry Mountain	5,700	98	17,200
19	Heshan Starry Regal Court	94,200	775	8,200
20	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	54,000	554	10,300
21	Zhongshan Starry Peakfield	102,400	1,343	13,100
	Subtotal (Pearl River Delta ex. Guangzhou)	372,200	3,828	10,300

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
22	Hangzhou Starry City	255,700	3,683	14,400
23	Hangzhou Joy Mountain	120,300	2,109	17,500
24	Hangzhou Lake & Mountain	61,300	1,022	16,700
25	Hangzhou Garden 1872	60,100	2,401	40,000
26	Hangzhou Joy Bay	71,100	2,828	39,800
27	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	30,600	743	24,300
28	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	8,500	189	22,200
Subtotal (Yangtze River Delta)		607,600	12,975	21,400
29	Wuhan Starry Emperor	18,200	208	11,400
30	Wuhan International Financial City	12,100	497	41,100
31	Wuhan Starry Mountain	9,000	235	26,100
32	Wuhan Starry Bay	59,100	934	15,800
33	Wuhan Yuexiu Paradiso Mansion	8,000	123	15,400
34	Wuhan Yuexiu Paradiso Garden	46,700	581	12,400
35	Wuhan Joy Mansion	71,900	615	8,600
Subtotal (Central China Region)		225,000	3,193	14,200
36	Shenyang Starry Winking	38,500	567	14,700
37	Yantai Starry Golden Sands	30,000	223	7,400
38	Yantai Elegant Mansion	64,800	718	11,100
39	Qingdao Starry Blue Bay	7,600	92	12,100
40	Qingdao Elegant Mansion	55,200	482	8,700
41	Qingdao Jiaozhou Platinum Mansion	12,900	186	14,400
42	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	9,700	102	10,500
43	Ji'nan Gemdale Yuexiu Art Living	1,000	24	24,000
Subtotal (Bohai Rim)		219,700	2,394	10,900
Total		2,732,500	63,903	23,400

MANAGEMENT DISCUSSION AND ANALYSIS

LANDBANK

As at 31 December 2018, the Group has newly acquired 16 land parcels mainly located in Guangzhou, Jiangmen, Wuhan, Xiangyang, Suzhou, Yantai, Qingdao and Ji'nan, with total GFA of approximately 5.05 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 1.92 million sq.m..

As at 31 December 2018, land parcels newly acquired are summarised as follows:

No.	Project	Equity holding	Total GFA (sq.m.)	Attributable GFA (sq.m.)
1	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Plant Land)	13.63%	383,800	52,300
2	Panyu GAC Auto Town Project	28.64%	527,900	151,200
3	Nansha Lingshan Island Land II	95.00%	405,600	385,300
4	Nansha Lingshan Island Land III	9.50%	130,000	12,400
5	Huadu Phoenix Road Land II	9.55%	292,200	27,900
6	Huadu Phoenix Road Land III	9.55%	193,300	18,500
7	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	47.50%	351,200	166,800
8	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	95.00%	210,500	200,000
9	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	15.68%	116,300	18,200
10	Wuhan Huangpi Land	14.25%	231,900	33,000
11	Xiangyang Lejin New District Land	28.50%	1,092,000	311,200
12	Yantai Elegant Mansion	90.25%	78,600	70,900
13	Qingdao Licang Ocean Chemical Industry Land	51.00%	211,900	108,100
14	Qingdao Jiaozhou Platinum Mansion	99.50%	209,100	208,100
15	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	23.51%	565,400	132,900
16	Ji'nan Gemdale Yuexiu Art Living	38.00%	52,600	20,000
Total			5,052,300	1,916,800

As at 31 December 2018, the landbank of the Group reached approximately 19.41 million sq.m. with a total of 58 projects in 14 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 10.92 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 39.3% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 8.9%, Yangtze River Delta accounted for approximately 19.4%, Central China Region accounted for approximately 18.7%, Bohai Rim accounted for approximately 12.8%, Hainan accounted for approximately 0.5% and Hong Kong accounted for approximately 0.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Haizhu Bay	734,500	530,700	203,800
3	Guangzhou Yuexiu Greenland Haiyue	148,700	148,700	—
4	Guangzhou Haizhu Nanzhou Road Land	154,900	154,900	—
5	Guangzhou Starry Sky City	562,800	562,800	—
6	Guangzhou Purple Cloud Mansion	245,500	245,500	—
7	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	275,500	275,500	—
8	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Plant Land)	383,800	383,800	—
9	Panyu GAC Auto Town Project	527,900	—	527,900
10	Guangzhou Yuexiu Poly Aite City	245,200	245,200	—
11	Nansha Southern Le Sand	1,190,400	410,500	779,900
12	Nansha Binhai New Town	1,014,100	652,000	362,100
13	Nansha Yuexiu East Hillside	258,300	258,300	—
14	Nansha Jinling North Land	134,300	134,300	—
15	Nansha Lingshan Island Land I	221,400	—	221,400
16	Nansha Lingshan Island Land II	405,600	—	405,600
17	Nansha Lingshan Island Land III	130,000	—	130,000
18	Huadu Elegant Mansion	222,200	222,200	—
19	Huadu Phoenix Road Land II	292,200	292,200	—
20	Huadu Phoenix Road Land III	193,300	—	193,300
	Other Projects	50,100	—	50,100
	Subtotal (Guangzhou)	7,620,100	4,746,000	2,874,100
21	Foshan Lingnan Junting	24,000	24,000	—
22	Nanhai Starry Mansion	567,100	352,300	214,800
23	Foshan Longfor Yuexiu Cloud Mansion	76,300	76,300	—
24	Jiangmen Starry Regal Court	58,200	58,200	—
25	Jiangmen Xijiang Joy Mansion	81,200	81,200	—
26	Jiangmen Starry Mountain	2,900	2,900	—
27	Heshan Starry Regal Court	416,000	416,000	—
28	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	351,200	351,200	—
29	Zhongshan Starry Peakfield	153,100	153,100	—
	Subtotal (Pearl River Delta ex. Guangzhou)	1,730,000	1,515,200	214,800

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	Landbank	PUD	PFD
		GFA (sq.m.)	GFA (sq.m.)	GFA (sq.m.)
30	Hangzhou Starry City	1,144,600	536,800	607,800
31	Hangzhou Garden 1872	370,500	237,600	132,900
32	Hangzhou Joy Bay	360,700	179,600	181,100
33	Hangzhou Lake & Mountain	224,800	224,800	—
34	Hangzhou Joy Mountain	225,000	225,000	—
35	Hangzhou Jianggan Niutian Land	122,900	122,900	—
36	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	210,500	210,500	—
37	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	116,300	116,300	—
38	Suzhou Taicang Xiangdong Island Land	988,300	241,600	746,700
Subtotal (Yangtze River Delta)		3,763,600	2,095,100	1,668,500
39	Wuhan International Financial City	598,900	598,900	—
40	Wuhan Hanyang Starry Winking	1,128,600	1,128,600	—
41	Wuhan Starry Bay	84,500	84,500	—
42	Wuhan Yuexiu Paradiso Mansion	42,200	42,200	—
43	Wuhan Caidian Land I	78,800	—	78,800
44	Wuhan Joy Mansion	171,700	171,700	—
45	Wuhan Yuexiu Paradiso Garden	210,000	210,000	—
46	Wuhan Huangpi Land	231,900	231,900	—
47	Xiangyang Lejin New District Land	1,092,000	130,600	961,400
Subtotal (Central China Region)		3,638,600	2,598,400	1,040,200
48	Shenyang Starry Winking	371,800	213,400	158,400
49	Shenyang Hill Lake	270,200	—	270,200
50	Yantai Elegant Mansion	78,600	78,600	—
51	Qingdao Elegant Mansion	61,700	61,700	—
52	Qingdao Licang Ocean Chemical Industry Land	211,900	—	211,900
53	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
54	Qingdao Jiaozhou Platinum Mansion	209,100	209,100	—
55	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	565,400	565,400	—
56	Ji'nan Gemdale Yuexiu Art Living	52,600	52,600	—
Subtotal (Bohai Rim)		2,487,600	1,180,800	1,306,800
57	Hainan Simapo Island Land	100,500	—	100,500
58	Hong Kong Yau Tong Project	72,100	—	72,100
Total		19,412,500	12,135,500	7,277,000

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION PROGRESS

The Group made efforts to speed up the development efficiency and the turnover rate of the project. Project development was progressing as scheduled during the period. 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 2018 <i>(sq.m.)</i>	Planned GFA for 2019 <i>(sq.m.)</i>
New commencement of construction	5,927,300	5,057,700
Completion	2,590,000	2,946,200

INVESTMENT PROPERTIES

As of 31 December 2018, the Group owned investment properties under lease of approximately 600,500 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 48.3%, 32.8% and 18.9%, respectively. The Group recorded rental revenue of approximately RMB685 million in 2018, representing an increase of 10.8% year on year, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In 2018, the Group recorded net fair value gains on revaluation of investment properties of approximately RMB371 million, which was mainly due to the fair value gain on revaluation of Yuexiu Financial Tower for the year.

OTHER GAINS, NET

In 2018, the Group's other gains, net amounted to approximately RMB1,040 million, representing an increase of 55.1% on a year-on-year basis. Other gains, net for the year of 2018 mainly included aggregate gains (before taxation) of approximately RMB463 million upon the transfer of equity interest of two indirectly-owned subsidiaries, and remeasurement gains (before taxation) on interest in associated entities of approximately RMB554 million.

SELLING AND MARKETING COSTS

In 2018, the Group's selling and marketing costs were approximately RMB651 million, representing an increase of 5.1% year on year. The Group has always endeavored to implement effective marketing plans to control its selling and marketing costs at an appropriate level.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB1,045 million, representing an increase of 8.0% year on year. The administrative expenses accounted for 1.8% of the contracted sales for the year, down by 0.6 percentage point from 2.4% for last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget.

FINANCE COSTS, NET

The finance costs, net of the Group amounted to approximately RMB2.00 billion, representing an increase of 52.9% from RMB1.31 billion for 2017. The increase was mainly due to the increase of aggregated amount of bank borrowings and bonds by 11.9%; influenced by the tightening financing market, the average effective borrowing interest rate for the year increased to 4.82% per annum from 4.30% per annum for 2017; and the net foreign exchange losses recorded for the year as a result of the exchange differences for foreign currency denominated borrowings because of the exchange rate fluctuation.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In 2018, the overall net contribution from associated entities attributable to the Group decreased by 32.6% to approximately RMB447 million as compared to that of last year, which was mainly due to the decrease of the profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In 2018, the total distributable amount of Yuexiu REIT amounted to approximately RMB850 million, representing an increase of 2.8% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB307 million.

BASIC EARNINGS PER SHARE

In 2018, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB0.2200 (2017: RMB0.1823).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2018 of HKD0.051 per share which is equivalent to RMB0.044 per share (2017: HKD0.052 per share which was equivalent to RMB0.042 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 6 June 2019. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 8 July 2019. Together with the interim dividend of HKD0.042 per share which was equivalent to approximately RMB0.036 per share, total dividends for the year ended 31 December 2018 will amount to HKD0.093 per share which is equivalent to approximately RMB0.080 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, the Group obtained new borrowings of approximately RMB43.65 billion, including onshore borrowings of approximately RMB25.71 billion and offshore borrowings of approximately RMB17.94 billion. As at 31 December 2018, total borrowings amounted to approximately RMB53.41 billion (31 December 2017: RMB47.71 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB27.16 billion, and the net gearing ratio was 61.2%. Borrowings due within one year accounted for approximately 11% of the total borrowings (31 December 2017: 18%); fixed-rate borrowings accounted for approximately 57% of the total borrowings (31 December 2017: 59%). Due to the tightening financing market, the Group's average effective borrowing interest rate for the year increased by 0.52 percentage points to 4.82% per annum from 4.30% per annum for 2017.

As at 31 December 2018, among the Group's total borrowings, approximately 45% was RMB denominated bank borrowings and other borrowings (31 December 2017: 51%), 10% was Hong Kong dollar denominated bank borrowings (31 December 2017: 12%), 25% was Hong Kong dollar and US dollar denominated medium to long term notes (31 December 2017: 11%), 20% was RMB denominated medium to long term notes (31 December 2017: 17%).

WORKING CAPITAL

As at 31 December 2018, the Group's working capital (current assets less current liabilities) amounted to approximately RMB61.01 billion (31 December 2017: approximately RMB43.75 billion). The Group's current ratio (current assets divided by current liabilities) was 1.8 times (31 December 2017: 1.8 times). Cash and cash equivalents amounted to approximately RMB21.99 billion (31 December 2017: RMB16.66 billion). Charged bank deposits amounted to approximately RMB5.17 billion (31 December 2017: RMB4.14 billion). Undrawn committed bank facilities amounted to approximately RMB17.63 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

	As at	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank borrowings and notes		
Denominated in RMB	34,657,300	32,576,165
Denominated in HKD	7,144,488	7,800,797
Denominated in USD	11,604,151	3,248,142
Total bank borrowings and notes	53,405,939	43,625,104
Borrowings from an intermediate holding company	—	4,083,760
Finance lease obligations	109	173
Bank overdrafts	57	51
Total debts	53,406,105	47,709,088

	As at	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Ageing analysis:		
Within one year	5,786,145	8,461,626
In the second year	8,461,171	11,717,282
In the third to fifth year	31,380,146	18,985,178
Beyond five years	7,778,643	8,545,002
Total borrowings	53,406,105	47,709,088
Less: Cash and cash equivalents	(21,990,512)	(16,655,299)
Net borrowings	31,415,593	31,053,789
Total equity	42,911,718	36,988,918
Total capitalisation	74,327,311	68,042,707
Gearing ratio	42.3%	45.6%

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2018, among the total borrowings of the Group, approximately 33.6% was floating rate bank loans denominated in Renminbi, approximately 9.6% was floating rate bank loans denominated in Hong Kong dollars, approximately 13.6% was fixed rate bank loans denominated in Renminbi, approximately 17.7% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 25.5% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars, in aggregate, fixed rate borrowings accounted for approximately 57% of the total borrowings of the Group. Due to a higher proportion of fixed rate financing, domestic liquidity began to surge in the second half of 2018, and the interest risks were under control, the Group did not enter into any arrangement of interest rate hedging instruments during the reporting year. During the reporting year, the average borrowing interest rate was approximately 4.82%, increased by 0.52 percentage point from 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%. In the first half of 2018, the liquidity was tight, and real lending rates in the market rose significantly. In the second half of 2018, PBOC cut RRR three times to release liquidity, thereby loosening market liquidity. Financing restrictions in the real estate sector remained. In 2019, concerning about the slowing down of the domestic economy and the continuous impact of the trade war between US and China, the market uncertainties are expected to remain high. In 2019, the domestic monetary policy is expected to be neutral and loosening.

With respect to the loan interest rates of US dollars and Hong Kong dollars, as a result of the sound US economy, the US Federal Reserve raised interest rate nine times from December 2015 to the end of 2018. 2018 witnessed four interest rate hikes, with an accumulative increase of approximately 1%. The US Federal Reserve has appeared to adopt more moderate stance recently. In 2019, the market is expected to witness one to two interest rate hikes by the US Federal Reserve. Currently, there are abundant capital resources in the Hong Kong market. It is expected that the rate adjustment for Hong Kong dollar loans will lag slightly behind the US dollar, but will follow the rise of the US interest rate. The Group anticipates the offshore US/Hong Kong dollar loan interest rates may rise slightly as compared to 2018. 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 manage foreign risk. As at 31 December 2018, approximately 35% (23% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which approximately HKD5.88 billion (equivalent to approximately RMB5.15 billion) was bank borrowings denominated in Hong Kong dollars, approximately USD1.70 billion (equivalent to approximately RMB11.60 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB2.00 billion) was medium-to-long term notes denominated in Hong Kong dollars, among which hedge products were arranged for borrowings denominated in foreign currencies (equivalent to approximately RMB 4.99 billion) to manage certain foreign exchange exposure.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risks, optimize debt structure and control foreign exchange risks. In 2018, the Group adopted appropriate financial instruments to manage its foreign exchange exposure. In 2019, it is expected that the Group will arrange suitable financial management products at reasonable costs to control foreign exchange exposure.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2018, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB798 million (31 December 2017: RMB1.27 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 2018, total contingent liabilities relating to these guarantees amounted to approximately RMB13.69 billion (31 December 2017: RMB8.43 billion).

As at 31 December 2018, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB2,130 million (31 December 2017: RMB450 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,198 million was utilised and guarantee of approximately RMB932 million was not utilised yet.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 8,190 employees (30 June 2018: 7,390 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both of which will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcement dated 2 December 2016 and 17 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICY

To better integrate the concept of social responsibility into the Group’s strategies and decisions and to further direct its social work practice, the senior management shall become the highest decision-making level of the ESG Management to provide strategic guidance to the overall ESG management of the Group. Moreover, the senior management shall on a timely basis report on risk control to the Board, assist the Board in the environment, social and governance risks of Yuexiu Property, and understand and make relevant decisions. The Group complies with the relevant environmental laws and regulations, sets out relevant environmental policies, meanwhile advances various aspects in green building engineering design, energy management, waste recycling and reuse, so as to minimize wasting and increase recycling and realizing sustainable vision of the Group. The Group seeks to create long-term value for stakeholders including shareholders and investors, employees, customers, suppliers, governments, communities, trade associations, chambers of commerce and the media. By close communication and coordination with the stakeholders, the Group pays active attention to the stakeholders’ requirements and optimizes management by mainly referring to their feedbacks, so as to achieve mutual progress and development. For more information about the environmental, social and governance performance of the Group during the reporting year, please refer to the forthcoming independent environmental, social and governance reports to be issued. Welcome to read or download the report on the Group’s website upon its issuance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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

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

As at 31 December 2018, the aggregate balance of the loans provided in Renminbi was RMB5,885,270,000. Such Loan Agreements will expire from 24 January 2020 to 29 December 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

On 24 January 2013, the Company issued USD350 million 3.25 per cent. notes due 2018 (the “2018 Notes”) and USD500 million 4.50 per cent. notes due 2023 (the “2023 Notes”) to investors under a USD2,000 million medium term note programme established on 11 January 2013. The Company has completed the redemption and cancellation of all the 2018 Notes. Since 17 August 2016, there are no outstanding 2018 Notes in issue. With effect from 29 December 2016, (i) the Company has substituted in its place Leading Affluence Limited, a wholly-owned subsidiary of the Company, as the issuer and the principal debtor in respect of the 2023 Notes; and (ii) the 2023 Notes are unconditionally and irrevocably guaranteed by the Company. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holding Limited is required to maintain control (as defined in the announcement dated 17 January 2013) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

On 19 April 2018, Westwood Group Holdings Limited, an indirect wholly-owned subsidiary of the Company issued USD800 million 4.875 per cent. notes due 2021 and USD400 million 5.375 per cent. notes due 2023 to investors under a USD3,000 million guaranteed medium term note programme established on 4 April 2018. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holding Limited is required to maintain control (as defined in the announcement dated 12 April 2018) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the year ended 31 December 2018.

PROPERTY DEVELOPMENT

REGION		GFA (sq.m.)
Greater Bay Area	48.5%	9,422,200
Guangzhou		7,620,100
Foshan		667,400
Jiangmen		909,500
Zhongshan		153,100
Hong Kong		72,100
Yangtze River Delta	19.4%	3,763,600
Hangzhou		2,448,500
Suzhou		1,315,100
Central China Region	18.8%	3,638,600
Wuhan		2,546,600
Xiangyang		1,092,000
Bohai Rim	12.8%	2,487,600
Qingdao		1,149,000
Shengyang		642,000
Yantai		78,600
Ji'nan		618,000
Hainan	0.5%	100,500
Haikou		100,500
Total	100.0%	19,412,500

DEVELOPMENT STAGE	GFA (sq.m.)
PUD	12,135,500
PFD	7,277,000
Total	19,412,500

PROPERTY DEVELOPMENT



Yangtze River Delta

Hangzhou
Suzhou

Bohai Rim

Qingdao
Yantai
Shenyang
Ji'nan

Central China Region

Wuhan
Xiangyang

Greater Bay Area

Guangzhou
Foshan
Jiangmen
Zhongshan
Hong Kong

Hainan

Haikou

PROPERTY DEVELOPMENT



GUANGZHOU

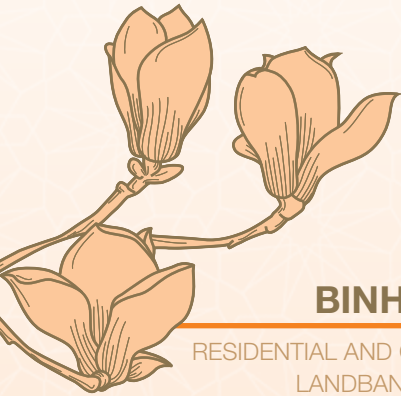


HUADU ELEGANT MANSION

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 222,200 SQ.M.

Huadu Elegant Mansion (花都臻悦府) is located at the Binshui New Town, Huadu District, Guangzhou. It is the golden hinterland connecting the three economic circles: the Guangzhou North Railway Station New Town, Airport Economic Circle and CBD Central Axis, enjoying a convenient and multi-dimensional traffic. The project is supported with Huadu Branch of Guangzhou Library,

which is interlinked with the General Library of Guangzhou Library. In addition, there are schools, shopping malls, hospitals and other peripheral core supporting projects, which makes Huadu Elegant Mansion become the model of residential area at Huadu Binshui New Town.



NANSHA BINHAI NEW TOWN

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 1,014,100 SQ.M.



Nansha Binhai New Town (南沙滨海新城) is located in the Jiaomen River downtown of Nansha District, Guangzhou City, which is focused on the development of urban service functions with a range of major municipal facilities on plan, including hotels and hospitals. The project is expected to comprise 38 high-rise apartment buildings with integrated kindergarten, primary school and middle

school. The project will also be equipped with community commercial and sports facilities such as a plastic annular track and a swimming pool. It is adjacent to the Jinzhou commercial district, the most mature one in Nansha at present, representing tremendous room for value growth.

PROPERTY DEVELOPMENT



FOSHAN & JIANGMEN



NANHAI STARRY MANSION

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 567,100 SQ.M.

Nanhai Starry Mansion (南海星匯瀚府) is located at the junction of Shenhai Road and Guiping Road in Guicheng, Nanhai District, Foshan City. The surrounding roads are well developed. It is only 15 minutes' drive from Liwan District, Guangzhou City. The Project is another outstanding model of the Group's "Starry" Series. The project plan includes building 22 high-rise residential buildings with various and practical household types. The

project surrounding boasts full-age education system, shopping malls, hospitals, parks, administrative service authorities, and other functional settings.



JIANGMEN YUEXIU BINJIANG CITY GLORY

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 351,200 SQ.M.



Jiangmen Yuexiu Binjiang City Glory (江門越秀濱江盛悅) is located at the junction of Jiangmen Avenue and Huasheng Road in Binjiang New Area, Pengjiang District, Jiangmen City. The project is committed to building a high-quality commercial and residential complex, including villas, apartments, service apartments, office buildings and other diverse functional buildings. The project is

set with swimming pools and fresh market, while the surrounding support is complete as well, including the primary school, municipal parks, inter-city railway Binjiang Station, hospitals, sports center, so as to meet the high-quality living demands of residents.

PROPERTY DEVELOPMENT



HANGZHOU



HANGZHOU JOY BAY

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

Located in Genbei New Town, Jianggan District, Hangzhou City, Zhejiang Province, Hangzhou Joy Bay (杭州天悦江湾) is easily accessible in close proximity to the Qibao station of Hangzhou Metro Line No.1, as well as the east-west main avenue of Genbei New Town. Positioned as a large high-end multi-purpose complex in the urban area, the project benefits from rich education

resources and a planned park in the neighborhood, which will provide excellent landscape resources for leisure. Genbei New Town is an important area for Hangzhou's urban expansion towards the east, and will be built into a new commercial center and a major residential area in Jianggan District with huge potential for future development.



HANGZHOU LAKE & MOUNTAIN

RESIDENTIAL PROJECT
LANDBANK GFA: 224,800 SQ.M.



Hangzhou Lake & Mountain (杭州湖山悦) is located in the Binhu New Area, the core of Lin'an District, Hangzhou City, Zhejiang Province. It is easily accessible and adjacent to the Nonglin University station of Hangzhou-Lin'an Inter-city Railway, which is under construction. The project is close to major commercial complexes and the

Qingshan Lake National Forest Park, enjoying excellent living and ecological landscape resources. In 2017, Lin'an has become a district of Hangzhou City instead of a county-level city, which will further drive the urbanization of the area, supporting its future development.

PROPERTY DEVELOPMENT



SUZHOU & WUHAN



SUZHOU YUEFU MANSION

RESIDENTIAL PROJECT
LANDBANK GFA: 210,500 SQ.M.

Suzhou YueFu Mansion (蘇州江南悦府) is located in Xushuguan District, High-tech Zone, Suzhou City, Jiangsu Province. The project is located at the core of the area, which is an important comprehensive transportation hub. The three-railway interchange is very convenient, the surrounding commercial and education settings

are complete, and it is close to large supermarkets and primary and secondary schools. The project building embodies the Oriental aesthetic style, and is matched with advanced smart household system, so as to meet customers' requirements for high-level living quality.



WUHAN YUEXIU PARADISO GARDEN

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 210,000 SQ.M.



Wuhan Yuexiu Paradiso (武漢越秀逸境) sits at Quanli First Road of Wuhan Economy and Technology Development Zone in proximity to Houguan Lake with superior natural view. The project is planned to be developed into 14 high-rise residential buildings with established education and healthcare facilities to meet the needs of owners in the community. The project is easily accessible and adjacent to tram stations. Wuhan Economy and

Technology Development Zone has become a multi-function integrated area led by automobiles, parts and components, electronics and electric appliances manufacturing. It is an important cluster for foreign enterprises operating in China as well as an important powerhouse for economic growth in Wuhan and Hubei, creating distinct advantage and huge growth potential for the project.

PROPERTY DEVELOPMENT



WUHAN & JI'NAN



WUHAN HANYANG STARRY WINKING

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 1,128,600 SQ.M.

Wuhan Hanyang Starry Winking (武漢漢陽星匯雲錦) is located at Yangsi Port, Hanyang District, Wuhan City, Hubei Province. It situates in the core section of the main axis of Wuhan New Port Yangtze River New Town. The project is built along the Yangtze River and boasts first-class Yangtze River view residential buildings. It is near the Qianjin Village Station of Metro Line 6. The project

is surrounded by comprehensive education system, hospitals, shopping malls and parks, satisfying the owners' requirements for lifestyle and living environment. With the opening of newly built Yangsi Port Yangtze River Bridge in the proximity of the project, the zone of Yangsi Port will usher in a stronger development momentum and boast the potential of adding value.



JI'NAN BAIMAI DELIGHTED MANSION

RESIDENTIAL PROJECT
LANDBANK GFA: 565,400 SQ.M.



Ji'nan Baimai Delighted Mansion (濟南百脈悅府) is located at Zhangqiu New Town District, Ji'nan City, Shandong Province. It is the first important thrust of the Group into Jinan City. The project faces Baimaiquan in the north and overlooks Taiyi Mountain Forest Park in the south. It is close to the Zhangqiu District Government and the Municipal Cultural and Expo Center. The

project is also close to the East Complex, one of the five major urban complexes of Zhangqiu. Meanwhile, it is surrounded by the planned high-level medical center, key primary schools and secondary schools. The area boasts a convenient transportation, and direct light railway connection, with a 30 minutes trip to the downtown of Jinan city, opening Zhangqiu new era of residence.

PROPERTY DEVELOPMENT

YANTAI & SHENYANG



YANTAI ELEGANT MANSION

RESIDENTIAL PROJECT
LANDBANK GFA: 78,600 SQ.M.

Yantai Elegant Mansion (煙台臻悦府) is located at the intersection of Beijing Middle Road and Huanghe Road in Yantai Development Zone, Yantai City, Shandong Province. The project has a low plot ratio and integrates the buildings with environment naturally. It adopts the style of small high-rise apartment buildings, which means

one or two department units for a single floor, satisfying the needs of low-density residence and enjoying the optimal sunshine. The project is equipped with a circular runway, basketball court, garden lawn, so that residents may get close to nature.

SHENYANG STARRY WINKING

RESIDENTIAL AND COMMERCIAL PROJECT
LANDBANK GFA: 371,800 SQ.M.



Shenyang Starry Winking (瀋陽星匯雲錦) sits at the junction of Nanta Street and Shenshui Road at the core of Shenhe District, Shenyang City, Liaoning Province. It enjoys superior natural landscape from Wuli River Park and Hun River, Shenyang's biggest river park in the south, which offers open and broad views. The project is adjacent to the Wuli River commercial district with

a strong business atmosphere. It also benefits from a full range of quality educational resources from nearby kindergartens, primary and middle schools. The project is planned to comprise 14 apartment buildings, with a view to building a benchmark for luxury residence in Shenyang by living up to the high standards set by Yuexiu Property for its Starry product line.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS REPORT

In 2018, under the premise of abiding by regulations of listed companies, the Group disseminated information such as business performance and the latest developments to the capital market and disclosed information, in order to further enhance investors' understanding and confidence in the Group.

The Group valued the opportunity of close communication with its shareholders and investors, released and delivered important information about the Group's operations and development on a timely and accurate basis in various manners such as roadshows, investment conferences held by investment banks, one-on-one meetings, conference calls as well as site visits to projects. The Chairman and senior executives of the Group attended various investor relations activities, listened to the opinions of shareholders and investors through face-to-face communication, responded to questions related to the Company's performance information and business strategy, and conducted in-depth discussions. In addition, attributed to the increasing sophistication of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", the Group also strengthened its expansion in the domestic capital market, increased performance roadshow activities in Mainland China, and attended strategic meetings held by domestic securities firms, so as to further widen the breadth in the domestic capital market.

While actively exporting information to the capital market to maintain contact, the Group's Investor Relations Team provided feedback to the Board of Directors and management on the views and suggestions from the capital market on the operation of the Group by collecting and collating the opinions of shareholders and investors, preparing the work report on investor relations, organizing reverse roadshows and other ways, so as to establish a smooth communication bridge between the capital market and the directors and management of the Company. Through the above efforts, the team refined and sorted out the feedback opinions from the capital market as an important reference for the management



INVESTOR RELATIONS REPORT

of the Group to the strategy of the Company's future development, so as to create greater value for shareholders and investors.

During 2018, the Group had organised or participated in more than 100 meetings and events on investor relations, and carried out interviews with more than 500 investors, in which, the major investor relations activities are as follows:

2018 MAJOR INVESTOR RELATIONS ACTIVITIES

Month	Venue	Activity
February	Hong Kong	Yuexiu Property 2017 Annual Results Announcement Conference
March	Hong Kong	Yuexiu Property 2017 Annual Results NDR
March	Shenzhen	Yuexiu Property 2017 Annual Results NDR
March	Hong Kong	Morgan Stanley 8th Hong Kong Investor Conference
April	Singapore	Yuexiu Property US Bonds Issuance Road Show Conference
April	London	Yuexiu Property US Bonds Issuance Road Show Conference
May	Beijing	JP Morgan 2018 Annual Global China Summit
June	Hong Kong	Yuexiu Property Annual General Meeting
June	Hong Kong	Credit Suisse Hong Kong Real Estate Enterprise Day
June	Hong Kong	Citi's Asia Pacific Property Conference
July	Guangzhou	Guang Zheng Hang Seng Interim Strategy Meeting
August	Hong Kong	Yuexiu Property 2018 Interim Results Announcement Conference
August	Hong Kong	Yuexiu Property 2018 Interim Results NDR
September	Singapore	Yuexiu Property 2018 Interim Results NDR
November	Greater Bay Area	Sell-side Analysts' Tour to the Greater Bay Area and Management Meeting
November	Macau	Citi China Investor Conference 2018
November	Singapore	Morgan Stanley 17th Annual Asia Pacific Summit

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

AWARDS AND RECOGNITIONS



Environmental, Social and Corporate Governance Gold Award 2018

Social Responsibility Best Initiative Award 2018

The Asset Magazine

Listed Company Awards of Excellence 2018

Hong Kong Economic Journal

China Property Award of Supreme Excellence 2018

Organizing Committee of China Property Award
of Supreme Excellence

Best in ESG Awards (Mid Cap)

Best in ESG Reporting Awards (Mid Cap)

BDO

The Group's Annual Report for the Year of 2017
Was Awarded:

ARC Annual Report Awards –

**Traditional Annual Report: Property Development:
Various & Multi-Use: Gold Winner**

ARC Annual Report Awards –

**Traditional Annual Report: Property Development:
Commercial: Silver Winner**

Top20 of China Listed Property Company Green Credit Index 2018

The Investment Consulting Special Committee of IAC.

Annual Award for Corporate Branding 2018

Southern Metropolis Daily

Annual Award for Urban Value Contribution 2018

LEJU

LEED EBOM V4: PLATINUM –

Guangzhou International Finance Center

U.S. Green Building Council

Five Star Pension Institutions –

Guangzhou Yiyuan Pension Co., Ltd.

Department of Civil Affairs of Guangdong Province

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Lin Zhaoyuan, aged 49, was appointed Chairman of the Company in August 2018. Mr Lin has been an executive director of the Company since November 2015. He had been Vice Chairman and General Manager of the Company. He is also chairman of the board of Guangzhou City Construction & Development Co. Ltd. ("GCCD"). Mr Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-sen University and the qualification of mechanical engineer. He had been chairman of the board of Guangzhou Paper Group Limited, an assistant to general manager and a deputy general manager of Guangzhou Yue Xiu Holding Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), and chairman and a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust, which is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (Stock Code: 405)). Mr Lin has extensive experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

Mr Lin Feng, aged 48, was appointed Vice Chairman, executive director and General Manager of the Company in August 2018. Mr Lin is also a director and general manager of GCCD, chairman of Hangzhou Yuexiu Property Development Limited and Chengdu Yuexiu Property Development Limited and director of Guangzhou Yuexiu Commercial Real Estate Investment & Management Co., Limited. Mr Lin graduated from Guangdong University of Finance & Economics (formerly known as Guangdong Commercial College) in accounting with a Bachelor's degree in economics. Mr Lin holds a Master's degree in business administration from the University of Western Sydney and the qualification of accountant awarded by the Ministry of Finance of the People's Republic of China. Since 1994, Mr Lin has joined Guangzhou City Construction Development Holding Co., Limited. He served as deputy general manager of Finance Department and Corporate Management Department, general manager of Finance Department of GCCD, assistant to general manager of the Company and the general manager of urban renewal projects group (i.e., the Company's urban renewal sector). He has served as a deputy general manager of the Company since 2014 and has been in charge of investment sector, finance sector and business operation within East China. He has also participated in various major capital operation and financing projects of the Company with extensive experience in enterprise investment decision making and funds management.

DIRECTORS' PROFILES

Mr Li Feng, aged 50, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of Guangzhou Yue Xiu and Yue Xiu and oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system. Mr Li is also a director of GCCD and chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"). He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (Stock Code: 1111), an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport") (Stock Code: 1052), the shares of the companies mentioned above are listed on the Stock Exchange and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) ("GZYFHL"), a company listed on the Shenzhen Stock Exchange (Stock Code: 987). Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government, he is also a president of Association of Guangzhou Belt and Road Investment Enterprises, secretary-general of Council for the Promotion of Guangzhou-HongKong-Macao Cooperation, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust and has extensive practical experience in capital operations.

Ms Chen Jing, aged 47, was appointed executive director of the Company in July 2017. Ms Chen is the chief financial officer of the Company. She is also the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu, a director of GCCD, chairman of the board of directors of Yue Xiu Securities Holdings Company Limited, a non-executive director of YFHL and Chong Hing Bank and an executive director of Yuexiu Transport. Ms Chen graduated from Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office and the general manager of the audit department. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

Ms Liu Yan, aged 40, was appointed executive director of the Company in August 2018. Ms Liu is the chief human resources officer and general manager of management department of Guangzhou Yue Xiu and Yue Xiu, general manager of the human resources (organization) department of Guangzhou Yue Xiu and human resources department of Yue Xiu. She is also a director of GCCD, GZYFHL, Guangzhou Yuexiu Jinrong Holdings Group Co., Limited, Guangzhou Yuexiu Financial Leasing Co., Limited, Shanghai Yuexiu Finance Leasing Co., Limited and Guangzhou Paper Group Limited. Ms Liu graduated from Nankai University with a Bachelor's degree in sociology and a Master's degree in sociology and from Shanghai Jiao Tong University with an Executive Master of business administration degree. She holds the qualification of Human Resources Management and Economics (intermediate level). Ms Liu joined Guangzhou Yue Xiu in July 2002 and was the head of human resources of Guangzhou Yue Xiu and Yue Xiu. She has led the implementation of several major projects for Guangzhou Yue Xiu on mobilization and optimization of human resources, development of appraisal system and sound and efficient management. Ms Liu has extensive work experience in human resources management and operation management in large business enterprises.

DIRECTORS' PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 71, has been an independent non-executive director of the Company since 1992. He is also an independent non-executive director of YFHL and Chong Hing Bank. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 64, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116), Medicskin Holdings Limited (Stock Code: 8307), Ever Harvest Group Holdings Limited (Stock Code: 1549) and Best Mart 360 Holdings Limited (Stock Code: 2360) (effective 18 December 2018). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 71, has been an independent non-executive director of the Company since 2004. He obtained a bachelor of laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport, Joy City Property Limited (Stock Code: 207) and Brightoil Petroleum (Holdings) Limited (Stock Code: 933). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoil Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

CORPORATE GOVERNANCE REPORT

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

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

Throughout the year ended 31 December 2018, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which are explained below.

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

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

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

THE BOARD

Responsibilities

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

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

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

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

CORPORATE GOVERNANCE REPORT

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised five executive directors and three independent non-executive directors during the year ended 31 December 2018.

For a list of directors during the year ended 31 December 2018 and up to the date of this annual report, please refer to page 65 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

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

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

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

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

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

CORPORATE GOVERNANCE REPORT

Training for Directors

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

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

During the year, the Company arranged training programmes and provided training materials to the Directors with an emphasis on national economic landscape and real estate development trends, latest updates of the Listing Rules regarding corporate government and newly development of financial technology etc. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/ Briefings
<i>Executive Directors</i>		
Zhang Zhaoxing (resigned with effect from 14 August 2018)	√	√
Zhu Chunxiu (resigned with effect from 14 August 2018)	√	√
Lin Zhaoyuan	√	√
Lin Feng (appointed with effect from 14 August 2018)	√	√
Li Feng	√	√
Chen Jing	√	√
Liu Yan (appointed with effect from 14 August 2018)	√	√
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

CORPORATE GOVERNANCE REPORT

Board Meetings

Number of Meetings and Directors' Attendance

In year 2018, the Board held 4 meetings and approved matters by way of written resolutions circulated to them (in total of 22 times) in between the meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Meetings		
	Board Meetings	Annual General Meeting	General Meeting
<i>Executive Directors</i>			
Zhang Zhaoxing (resigned with effect from 14 August 2018)	3/3	1/1	0/1
Zhu Chunxiu (resigned with effect from 14 August 2018)	2/3	0/1	0/1
Lin Zhaoyuan	4/4	1/1	1/1
Lin Feng (appointed with effect from 14 August 2018)	1/1	N/A	N/A
Li Feng	3/4	0/1	0/1
Chen Jing	4/4	1/1	1/1
Liu Yan (appointed with effect from 14 August 2018)	1/1	N/A	N/A
<i>Independent Non-Executive Directors</i>			
Yu Lup Fat Joseph	4/4	1/1	1/1
Lee Ka Lun	4/4	1/1	1/1
Lau Hon Chuen Ambrose	4/4	1/1	1/1

Practices and Conduct of Meetings

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 14 August 2018, Mr Zhang Zhaoxing resigned as the Chairman of the Company and thereafter Mr Lin Zhaoyuan serves as Chairman of the Company. On the same date, Mr Lin Zhaoyuan resigned as General Manager of the Company and thereafter Mr Lin Feng serves as General Manager of the Company.

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year ended 31 December 2018 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

Remuneration Committee

The Remuneration Committee comprises 3 independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and one executive director, namely Mr Lin Zhaoyuan. The chairman of the committee is Mr Yu Lup Fat Joseph.

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

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

Members	Meeting Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1
<i>Executive Director</i>	
Zhang Zhaoxing (resigned with effect from 14 August 2018)	1/1
Lin Zhaoyuan (appointed with effect from 14 August 2018)	N/A

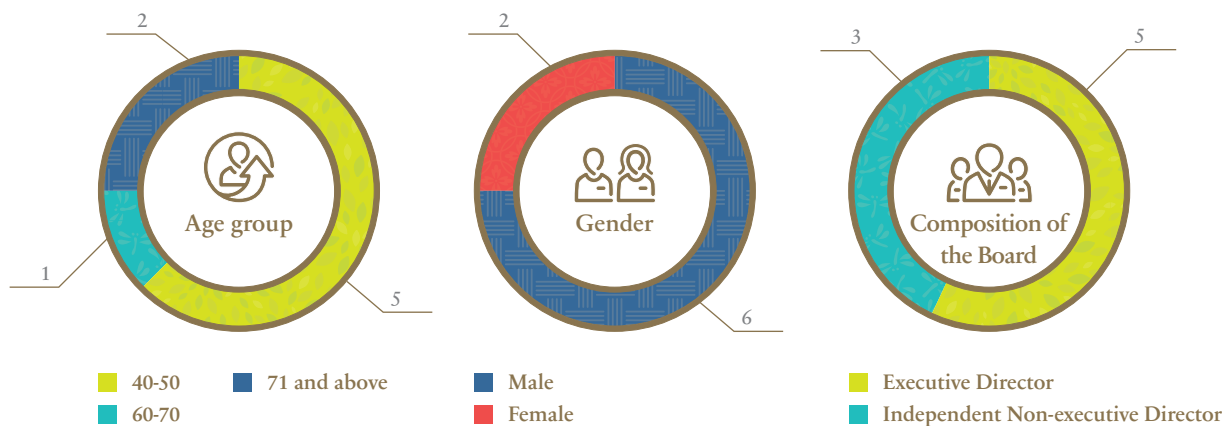
One meeting was held in 2018 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review and the remuneration of newly appointed executive directors.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises 2 executive directors and 3 independent non-executive directors. The committee is chaired by the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 8 directors, two of whom are females (2017: one). Five executive directors are experienced in finance, accounting, capital operations, real estate development, human resource management and operation management, and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers, capital operations as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, finance, real estate development and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.



CORPORATE GOVERNANCE REPORT

Procedures of Appointment of Directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Board members' appointment will be based on meritocracy and recommendation will be made to the Board based on objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

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

Members	Meeting Attended
<i>Executive Directors</i>	
Zhang Zhaoxing (resigned with effect from 14 August 2018)	1/1
Zhu Chunxiu (resigned with effect from 14 August 2018)	1/1
Lin Zhaoyuan (appointed with effect from 14 August 2018)	N/A
Li Feng (appointed with effect from 14 August 2018)	N/A
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1

The Nomination Committee held one meeting during the year ended 31 December 2018 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiries have been made to all the directors concerning their compliance with the Model Code and all the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Transport and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2018, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

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

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

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

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

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to approximately RMB6,000,000 and RMB2,000,000 respectively.

INTERNAL CONTROLS

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

CORPORATE GOVERNANCE REPORT

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

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

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

For the year ended 31 December 2018, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, external financing environment, adjustment to relevant tax rates, adjustments to industry policies, all relevant legal and regulatory restrictions, continuity of past dividend policies and other factors as considered relevant by the Board. Generally speaking, the total dividend of the Company for a year represents approximately 30% to 40% of the core net profit attributable to equity holders. Core net profit represents profit attributable to equity holders excluding net fair value gains/(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. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

During 2018, there is no change in the Company's Articles of Association. The Company's Articles of Association are available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, joint ventures, associated entities are set out in the section headed “Group Structure” on pages 191 to 206.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 89.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2018. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.042 equivalent to RMB0.036 per ordinary share paid on 16 November 2018	462,368
Proposed final dividend of HKD0.051 equivalent to RMB0.044 per ordinary share	545,657
	1,008,025

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, 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 2019, 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 Thursday, 23 May 2019.

In addition, the register of members of the Company will be closed from Wednesday, 5 June 2019 to Thursday, 6 June 2019, both days inclusive, for the purpose of ascertaining the shareholders’ entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 4 June 2019.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB0.15 million.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2018 and the likely future developments in the Group's business, is set out in the "Chairman's Statement", and "Management Discussion and Analysis" sections of this Annual Report. Principal risks and uncertainties facing the Group are set out in the Risk Management Report. Details about the Group's financial risk management are set out in note 3 to the Consolidated Financial Statements.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, Management Discussion and Analysis, the Corporate Governance Report, this Report of the Directors and Investor Relations Report. The environmental, social and governance report to be issued by the Company will also contain the Group's environmental policies and performance.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

INTEREST AND NET FOREIGN EXCHANGE LOSS CAPITALISED

During the year, interest and net foreign exchange loss capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,793 million (2017: RMB900 million).

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB962 million (2017: RMB1,043 million).

DIRECTORS

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

Mr Zhang Zhaoxing	(resigned with effect from 14 August 2018)
Mr Zhu Chunxiu	(resigned with effect from 14 August 2018)
Mr Lin Zhaoyuan	
Mr Lin Feng	(appointed with effect from 14 August 2018)
Mr Li Feng	
Ms Chen Jing	
Ms Liu Yan	(appointed with effect from 14 August 2018)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive Directors*

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

REPORT OF THE DIRECTORS

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Lee Ka Lun and Lau Hon Chuen Ambrose will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, all offer themselves for re-election. Mr Lin Feng and Ms Liu Yan will retire in accordance with Article 98 of the Company's Articles of Association at the general meeting proposed to be held in April 2019 and, being eligible, offer themselves for re-appointment.

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

DIRECTOR'S SERVICE CONTRACTS

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

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the year and up to the date of this report are available on the Company's website (www.yuexiuproperty.com).

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

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

PERMITTED INDEMNITY PROVISION

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

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	<p>On 29 October 2014, the Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HKD300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively</p> <p>The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019</p> <p>The Company entered into a new bank deposits master agreement with Chong Hing Bank on 16 May 2017 ("2017 Bank Deposits Agreement") to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB4,000 million, RMB5,500 million and RMB7,000 million for the years ending 31 December 2017, 2018 and 2019, respectively</p>	<p>The aggregate balance of bank deposits amounted to RMB924,875,000 as at 31 December 2018</p> <p>The highest daily aggregate amount of bank deposits during the year ended 31 December 2018 amounted to RMB2,397,528,000</p>

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
30 November 2015	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	<p>A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 ("2015 Framework Lease Agreement") for a term of three years commencing from 1 January 2016 to govern the leasing of the lease properties in relation to Yuexiu Financial Tower to Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries)</p> <p>The aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB49,000,000, RMB72,000,000 and RMB75,000,000 for the years ending 31 December 2016, 2017 and 2018 respectively</p> <p>The subsidiary of the Company entered into a new framework lease agreement with Guangzhou Yue Xiu on 17 January 2019 for a term of three years commencing with retrospective effect from 1 January 2019, and pursuant to which the aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB75,000,000 for each of the years ending 31 December 2019, 2020 and 2021, respectively</p>	RMB39,623,223

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 November 2016	Chong Hing Bank	A fellow subsidiary	The Company entered into a framework agreement with Chong Hing Bank setting out the maximum aggregate absolute amount of fair value at inception of the foreign exchange transactions recorded as assets/liabilities would not exceed HKD13,000,000, HKD17,000,000 and HKD20,000,000 for the years ending 31 December 2016, 2017 and 2018, respectively	HKD9,646,628
22 January 2018	Guangzhou Yue Xiu	The ultimate holding company of the Company	<p>A subsidiary of the Company entered into a framework property management services agreement with Guangzhou Yue Xiu on 22 January 2018 for a term of three years commencing from 1 January 2018 to govern the transactions contemplated under the relevant tenant management agreements in respect of Guangzhou International Finance Center entered or to be entered into with Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries)</p> <p>The aggregate annual amount of the management fees payable by the aforesaid connected parties under the relevant tenant management agreements are subject to the annual caps of RMB30,000,000 for each of the three years ending 31 December 2018, 2019 and 2020, respectively</p>	RMB13,552,827

REPORT OF THE DIRECTORS

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

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the annual cap in respect of the disclosed continuing connected transactions.

On 14 February 2018, the Group has exercised the call option granted by 廣州越秀仁達四號實業投資合夥(有限合夥) (Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership)) (a connected person of the Group, referred to as “JV Partner”) to acquire JV Partner’s interest in a PRC project company at a total consideration of RMB3,321,250,000. The exercise of call option was approved by the independent shareholders at the general meeting of the Company on 27 March 2018.

On 30 March 2018, the Group entered into a transfer agreement to dispose an underground car park located at Yuexiu District, Guangzhou City to 廣州市城市建設開發集團有限公司 (Guangzhou City Construction & Development Group Company Limited) for a total consideration of RMB31,963,500. Guangzhou City Construction & Development Group Company Limited is an indirectly wholly-owned subsidiary of Guangzhou Yue Xiu and is therefore a connected person of the Company.

On 10 December 2018, 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co., Limited) (“GCCD”) (a subsidiary of the Company), 廣州國資產業發展股權投資基金合夥企業(有限合夥) (Guangzhou State Assets Industrial Equity Investment Fund Enterprise (Limited Partnership)) and 廣州越秀中聯股權投資基金管理有限公司 (Guangzhou Yuexiu United Equity Investment Fund Management Company Limited) entered into a limited partnership agreement to establish 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No.1 Business Investment Enterprise (Limited Partnership)) (“No. 1 Fund”) for the purpose of conducting capital investments, providing investment consultancy services, with GCCD’s capital commitment of RMB700,000,000. Since the fund manager to the No. 1 Fund is regarded by the Company as a connected person of the Company, the limited partnership agreement and the transactions contemplated thereunder constitute a connected transaction.

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

REPORT OF THE DIRECTORS

Rental expenses and property management fees disclosed in note 45 (b)(l) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the reporting year and are regarded as “de minimis transactions” pursuant to the Listing Rules. Interest expense disclosed in note 45 (b)(l) constitutes exempt connected transactions pursuant to the Listing Rules.

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan (Note 1)	Beneficial owner/ Beneficiary of a trust	2,186,985	0.018
Mr Lin Feng (Note 2)	Beneficial owner/ Beneficiary of a trust/ Spouse interest	4,415,752	0.036
Mr Li Feng	Beneficial owner	172,900	0.001
Ms Liu Yan	Beneficial owner	17,000	0.00014
Mr Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.032
Mr Lee Ka Lun	Beneficial owner	3,200,000	0.026
Mr Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039

Note 1: Mr Lin Zhaoyuan is interested in 2,186,985 Shares, out of which 373,464 Shares are owned by him as beneficial owner, 1,813,521 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

Note 2: Mr Lin Feng is interested in 4,415,752 Shares, out of which 1,357,276 Shares are owned by him as beneficial owner, 2,958,476 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse.

REPORT OF THE DIRECTORS

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan	Beneficial owner	120	0.00001
Ms Liu Yan	Beneficial owner	485	0.00003
Mr Lau Hon Chuen Ambrose	Beneficial owner	195,720	0.012

Save as disclosed herein, as at 31 December 2018, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

REPORT OF THE DIRECTORS

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2018, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Note:

Pursuant to the SFO as at 31 December 2018, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited) was deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

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

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

Save as disclosed herein, as at 31 December 2018, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Lin Zhaoyuan
Chairman

Hong Kong, 27 February 2019

RISK MANAGEMENT REPORT

I. RISK MANAGEMENT CONCEPT

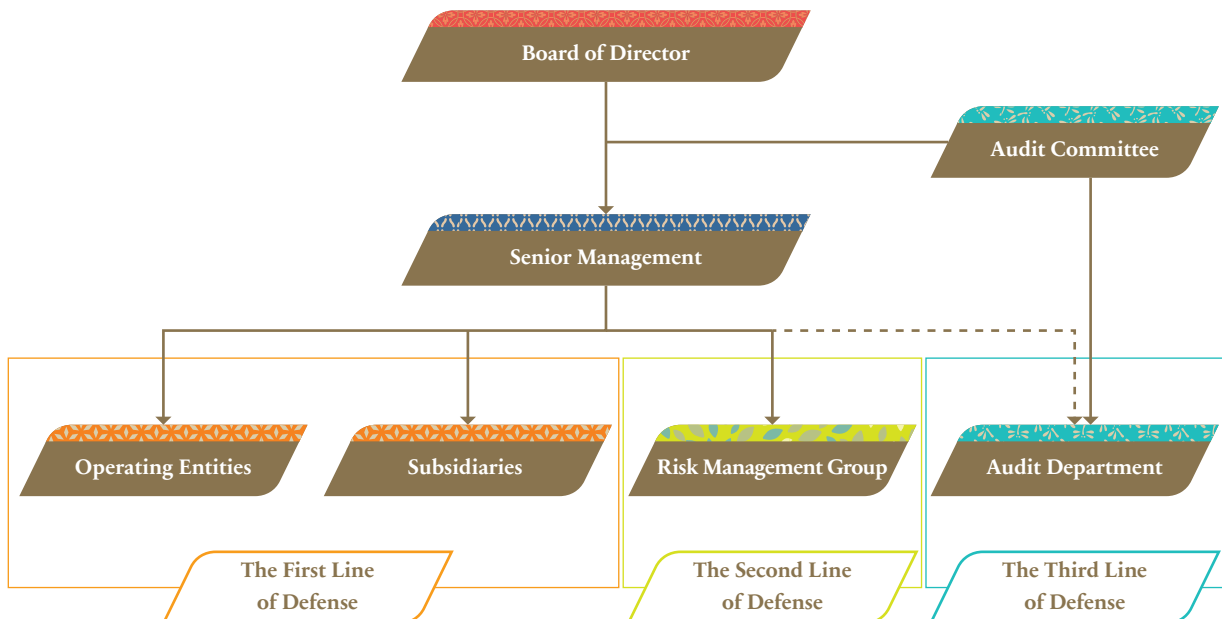
Risks of the Group refer to any factors that may affect the realization of its strategic goals by the Group, including incidents, accidents or acts that have a substantial impact on the success potential (e.g. reputation), assets, capital, profitability or liquidity (cash) of the Group. The Board, management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

II. RISK APPETITE

The Group will continue to implement the “active, stable and balanced” overall risk appetite policy, maintain a stable capital and liabilities structure to strike a balance between risks and income return, and maintain sufficient capital to resist various kinds of risks that might be faced:

1. Financial and liquidity risks. The Group manages financial and liquidity risks through indicators including gearing ratio, the ratio of funds return to signed contracts, cash ratio in total assets and cash flow gap;
2. Market risk. The Group manages market risks through the financing costs indicator;
3. Operation risk. The Group manages operation risks by improving its internal control system and enhancing the accountability of risk incidents;
4. Reputational risk. The Group manages reputational risks through customer satisfaction and other indicators;
5. Strategy risk. The Group manages strategy risks through review of effect of strategy implementation.

III. RISK MANAGEMENT ORGANISATIONAL STRUCTURE



RISK MANAGEMENT REPORT

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

1. The Board of Directors (and its Audit Committee) is the governing body for comprehensive risk management tasks of the Group and is ultimately responsible for the overall risk management and internal control systems. It is responsible for designing and implementing of the risk control and internal control system and reviewing the effectiveness of their operation on a regular basis. Its purpose is to manage rather than to eliminate risks of failure to meet business objectives, and to strive to ensure that no major misrepresentation or loss will occur. Its major responsibilities include reviewing and approving the overall organization structure and their terms of reference of risk management, formulating the overall objectives and requirements of risk management, reviewing and approving annual risk appetite policy and various risk management reports.
2. The senior management is responsible for organizing daily risk management and deciding on risk management matters subject to the authorisation of the Board of Directors. Its main responsibility is to implement and promote the task to establish a comprehensive risk management system of the Company and to review the effective of risk management structure, and confirm with the Board and (and committee under the Group)
3. All functional departments in the head office and the subsidiaries are the first lines of defense in risk management, discharging their respective duties of risk management during business management. They are the risk bearer and the chief risk supervisor, being responsible for identification and assessing the main risks within the responsible scope, making effective risk management strategy, and implementing risk mitigation measures.
4. The Risk Management Group represents the second line of defense of risk management, responsible for the collaboration, summarizing and reporting of overall risk management, coordinating formulation of risk appetite, risk management systems and policies of the Group, summarizing and monitoring the risk exposure and management of all business areas and regularly reporting to the senior management, all as organised by the senior management. In addition, it is responsible for pushing the first line of defense to continuously improve risk management and control measures, constantly promoting the enhancement of the Group's risk management level, researching on advanced risk management concepts and tools, and giving professional advice for major risk decision-making matters.
5. The Audit Department is the third line of defense with independence and objectiveness. It is responsible for carrying out independent tests, verification and evaluation on the integrity and effectiveness of the risk management framework and the internal control system and providing independent and objective assessments of the effectiveness of the risk management system that has been established, and constantly monitoring the compliance of handling and dissemination of inside information. It is also responsible for reporting severe internal errors to the senior management and Board of Directors, and enforcing the relevant organizations to rectify and improve in time.

RISK MANAGEMENT REPORT

IV. RISK MANAGEMENT PROCEDURE

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

1. Collection of Initial Risk Management Information

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

2. Risk Evaluation

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

Implementation of risk assessment is in the form of a combination of periodic assessments and routine assessments. Under normal circumstances, risk assessment is carried out on an annual basis. In cases of significant changes such as restructure of organization structure, change in business model and change in management model, or significant change in external environment and economic policies, risk assessment of particular areas or topics can be carried out in light of the circumstance.

3. Formulation of Risk Management Strategies

The Risk Management Group prepares an annual risk appetite policy every year and reports the same to the senior management for their review and submits to the Board of Directors for its approval. The policy is eventually communicated to various departments and business lines for implementation through setting different levels of risk appetite indicators. Quantitative indicators that accurately reflect risk factors and appropriate management strategies are developed for various risks. For risks causing possible losses within the enterprise's sustainable scope and having a minimal impact on the overall objective of the Group, strategies such as risk taking and risk control can be adopted. For other risks that might have more significant impact, prudent risk management strategies such as risk avoidance and risk transfer are adopted to reduce or prevent losses arising from risks.

RISK MANAGEMENT REPORT

4. Improvement of Risk Management Measures

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

5. Supervision and Improvement

The Audit Department is responsible for monitoring effectiveness of risk management and internal control systems. On one hand, risk management and evaluation of internal control are conducted on a regular basis, and whether the risks borne by the Company deviates from the Company's risk appetite is objectively determined through analysis of the types and characteristics of risks encountered by the Company and the Company's business operation activities. On the other hand, auditing and supervision are conducted on the performance of risk management functions and work, and operation of internal system. The results will be reported to the senior management and the Board to improve the effectiveness of internal control.

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

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

VI. MAJOR RISK MANAGEMENT INITIATIVES IN 2018

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

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

RISK MANAGEMENT REPORT

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

For operation risks, the Group reduced risk exposures in business execution and operation through the continuous establishment of sound systems, processes and the power and responsibility system, rectification of deficiencies, introduction of supplemental and improved measures of risk control and prevention, revision and improvement of strategic investment, new business expansion, marketing management, and construction management.

For strategic risks, the Group set clear strategic direction and targeted, enhanced the analysis of response speed of the major macro strategies, policies and regional planning released by central and local government, and maintained the projects and business scale in the key strategic region to ensure that the Group's strategies were fully implemented.

VII. 2019 OUTLOOK AND MAJOR MEASURES

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

Focus on the positioning of “strategic protection”, adhere to the strategic goals and business plans of the Group and continue to implement the system to manage the risk appetite. Through risk identification, evaluation, response, and monitoring the reported risk and the process of continued improvement, foundation for healthy development of the Group was laid to facilitate the realisation of its strategic goals.

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

Enhance the function of the “Three Lines of Defense” and refine the risk management system. Reinforce the duty of “managing risks” of the “First Line of Defense” of functional departments and responsible units through regulating business processes and internal control; reinforce the duty of the “Second Line of Defense” of the risk management functional departments through strengthening the risk assessment and accountability mechanism, enhancing the binding force of risk management, and developing to the culture of risk management; fully capitalize on the “Third Line of Defense” function of internal audit and supervision.

RISK MANAGEMENT REPORT

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

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Market demand and supply and policy risk	Systematic risk, such as the impact of market demand and supply relationship, macroeconomic policy and fiscal, tax and financial policies, etc. on the business development of the Group.	<ol style="list-style-type: none"> <li data-bbox="1034 642 1433 886">1. The Group will strengthen information collection, analysis, research and reporting on industry cycles, policy adjustments and market changes, so as to enhance risk sensitivity. <li data-bbox="1034 914 1433 1118">2. Establish a rapid response and adjustment mechanism for major macro-strategies, policies and regional plans announced by the central and local governments. <li data-bbox="1034 1146 1433 1319">3. Coordinate and manage the external database of the Company and contact the research institutes of big data strategy.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Investment Feasibility Study and Decision Making Risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	<ol style="list-style-type: none"> 1. Strengthen urban research and urban survey, classify and rank cities from four indicators including urban development, population, market and risk, and establish a negative impact list of cities. 2. Apply the investment risk assessment model, carry out quantitative assessment toward the project risk from three aspects including city, project and operation team, and formulate corresponding risk prevention measures. 3. Improve investment benchmarks, enhance income requirements, achieve high-quality investment, and implement a resource coordination mechanism. 4. Monitor the return and risk of investment projects in a dynamic manner.
Exchange rate risk	When the companies which the Group held shares have foreign currency assets or liabilities, exchange rate fluctuation may result in loss which may indirectly affect the Group's financial performance.	<ol style="list-style-type: none"> 1. Reasonably match foreign currency assets and liabilities and control foreign exchange exposure. 2. Pay close attention to foreign exchange market information and communicate with senior experts of foreign exchange on changes in foreign exchange market and risk management experience.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Product Positioning Risk	The risk of the Group's dull sale or business results being hurt as a result of deviation from the market demand in respect of product design, product functions and quality, time of launch and product positioning in the market.	<ol style="list-style-type: none"> 1. Continue to carry out competitive products analysis, collect the popular house design from market, and maintain a high degree of sensitivity to changes in market, competitive products and customer sentiments. 2. According to customers' needs, analyze their deep concerns, carry out standardization research on house type, community supporting facilities, landscape, functional space and other modules, create product innovation highlights and update product standards. 3. Strengthen the whole process management of the project aiming at "improving quality control".
Business Operation Risk	Inadequate business management model and positioning of commercial properties which affect the realization of the business objectives of the commercial properties of the Group.	<ol style="list-style-type: none"> 1. The Group will strengthen the ability of project planning and design, promotes customization of product planning and promotes added value of products. 2. Accurately position the commercial projects, actively expand investment pipelines, and improve business operation capacity and profitability.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Yuexiu Property Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 89 to 190, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties held by the Group and its associated entity

Refer to notes 3.3(b), 4(a), 17 and 23 to the consolidated financial statements

Management has estimated the fair value of the Group's investment properties to be RMB10,865 million at 31 December 2018, with a revaluation gain for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss of RMB371 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associated entity, attributable to the Group amounted to RMB10,516 million at 31 December 2018, with a revaluation gain for the year ended 31 December 2018 recorded in the consolidated statement of comprehensive income of RMB327 million.

Management has engaged independent external valuers to perform valuation of all the investment properties in order to support management's estimates. The valuations of completed investment properties are dependent on certain key assumptions that require significant management judgement, including market rents and capitalisation rate.

Due to the significant judgement and estimates involved, specific audit focus was placed on this area.

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

- Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity;
- Obtaining the valuation reports for all properties and assessing that the valuation approach adopted was suitable for use in determining the fair value for the purpose of the financial statements;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and
- Checking, on a sample basis, the input data used by the independent external valuers for the accuracy and relevance of the published external market data.

We found that the assumptions and estimates made by the management in relation to the valuation was supported by the available audit evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Net realisable value of properties under development and properties held for sale held by the Group

Refer to notes 4(b), 25 and 26 to the consolidated financial statements

The Group had properties under development and properties held for sale of RMB73,069 million and RMB10,165 million, respectively, as at 31 December 2018. Management assessed the carrying amounts according to the net realisable value of these properties, taking into account the estimated costs to completion and estimated net sales value at prevailing market conditions. Write down to net realisation value is made when events or changes in circumstances indicate that the carrying amounts may not be realisable. The assessment requires management judgement and estimates.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included:

- Evaluating of management's assessment by comparing, on a sample basis, the estimated selling price less variable selling expenses and the estimated costs to completion used in the assessment with the price and cost data from recent transactions or available market information;
- Discussing with management on the latest status and development plans of the underlying property projects, such as expected completion dates of the projects; and
- Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value.

We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	26,433,444	23,793,908
Cost of sales	6	(18,040,522)	(17,685,801)
Gross profit		8,392,922	6,108,107
Proceeds from sales of investment properties		96,428	350,774
Direct costs of investment properties sold		(93,753)	(350,266)
Gain on sales of investment properties	21	2,675	508
Fair value gains/(losses) on revaluation of investment properties, net	17	370,875	(119,326)
Other gains, net	7	1,039,814	670,617
Selling and marketing costs	6	(650,513)	(618,959)
Administrative expenses	6	(1,045,130)	(967,350)
Operating profit		8,110,643	5,073,597
Finance income	8	169,665	276,557
Finance costs	9	(2,002,121)	(1,309,699)
Share of profit of			
– joint ventures	22	58,466	81,715
– associated entities	23	446,749	663,240
Profit before taxation		6,783,402	4,785,410
Taxation	10	(3,743,909)	(2,453,764)
Profit for the year		3,039,493	2,331,646
Attributable to:			
– Equity holders of the Company		2,727,885	2,260,242
– Non-controlling interests		311,608	71,404
		3,039,493	2,331,646
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	0.2200	0.1823

The notes on pages 98 to 190 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	3,039,493	2,331,646
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(415,210)	275,753
Change in the fair value of available-for-sale financial assets, net of tax	—	14,449
Losses on cash flow hedges	(834)	—
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	15,161	—
Other comprehensive (loss)/income for the year, net of tax	(400,883)	290,202
Total comprehensive income for the year	2,638,610	2,621,848
Attributable to:		
– Equity holders of the Company	2,326,177	2,549,658
– Non-controlling interests	312,433	72,190
	2,638,610	2,621,848

The notes on pages 98 to 190 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,994,812	1,961,077
Investment properties	17	10,865,470	13,743,710
Land use rights	18	207,569	217,817
Interests in joint ventures	22	6,473,872	5,570,130
Interests in associated entities	23	13,912,313	14,202,652
Available-for-sale financial assets	24	—	1,206,645
Financial assets at fair value through other comprehensive income	24	1,228,635	—
Derivative financial instruments		9,069	—
Deferred tax assets	39	492,137	294,853
		35,183,877	37,196,884
Current assets			
Properties under development	25	73,069,099	45,789,461
Properties held for sale	26	10,164,536	9,322,176
Contract costs	27	334,697	—
Prepayments for land use rights		4,862,699	9,192,236
Inventories		—	3,698
Trade receivables	28	50,916	45,315
Other receivables, prepayments and deposits		16,223,088	9,196,475
Prepaid taxation		1,772,324	1,289,824
Charged bank deposits	30	5,168,750	4,139,112
Cash and cash equivalents	31	21,990,512	16,655,299
		133,636,621	95,633,596
Non-current assets held-for-sale	29	—	312,031
LIABILITIES			
Current liabilities			
Trade and note payables	32	1,407,577	157,875
Advance receipts from customers	33	—	17,633,142
Contract liabilities	33	31,637,956	—
Other payables and accrued charges	34	29,371,429	22,122,179
Borrowings	35	5,786,145	8,461,626
Taxation payable		4,425,962	3,822,029
		72,629,069	52,196,851
Net current assets		61,007,552	43,748,776
Total assets less current liabilities		96,191,429	80,945,660

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Borrowings	35	47,619,960	39,247,462
Deferred tax liabilities	39	5,604,127	4,651,862
Deferred revenue		55,624	57,418
		53,279,711	43,956,742
Net assets			
		42,911,718	36,988,918
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	12,759,402	12,759,402
Shares held under share award scheme	37	(55,220)	(21,301)
Other reserves	38	455,671	857,379
Retained earnings	38	20,666,714	18,790,158
		33,826,567	32,385,638
Non-controlling interests		9,085,151	4,603,280
Total equity		42,911,718	36,988,918

On behalf of the Board

Lin Zhaoyuan
Director

Lin Feng
Director

The notes on pages 98 to 190 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Operating profit	8,110,643	5,073,597
Adjustments for:		
Depreciation and amortisation (note 6)	64,972	43,338
Loss/(gain) on disposal of property, plant and equipment and land use right (note 7)	82	(98,336)
Gain on sales of investment properties (note 21)	(2,675)	(508)
Fair value (gains)/losses on revaluation of investment properties, net (note 17)	(370,875)	119,326
Fair value loss on derivative financial instrument	—	79
Amortisation of deferred revenue	(1,794)	(1,794)
Provision for impairment of properties held for sale (note 6)	85,591	319,496
Gain on disposal of subsidiaries (note 7)	(463,494)	(585,312)
Loss on disposal of non-current assets held-for-sale (note 7)	5,550	12,004
Remeasurement gains on interests in associated entities (note 7)	(553,636)	—
Gain on bargain purchase on acquisition (note 7)	(40,111)	—
Operating cash flows before movements in working capital	6,834,253	4,881,890
Increase in properties under development, properties held for sale and prepayments for land use rights	(1,725,714)	(5,650,165)
Net increase in contract costs	(75,167)	—
Decrease in inventories	3,698	43,610
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	843,474	(2,402,777)
Increase in trade and note payables, contract liabilities, other payables and accrued charges	10,030,631	2,266,793
Net exchange difference for working capital	(29,472)	55,171
Net cash generated from/(used in) operations	15,881,703	(805,478)
Interest received	161,227	272,327
Interest paid	(2,928,613)	(2,276,518)
Hong Kong profits tax paid	(2,614)	(1,275)
China taxation paid	(2,881,628)	(1,892,103)
Net cash generated from/(used in) operating activities	10,230,075	(4,703,047)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Investing activities		
Purchases of property, plant and equipment and land use right	(237,437)	(326,685)
Purchases of available-for-sale financial assets (note 24)	—	(55)
Purchases of investment properties (note 17)	(5,266)	(9,613)
Proceeds from sale of investment properties	95,516	351,667
Dividends received from an associated entity (note 23)	278,860	290,550
Payment to joint ventures and associated entities	(260,924)	(2,748,476)
(Increase)/decrease in charged bank deposits	(1,029,638)	191,442
Payment for acquisition of subsidiaries, net of cash acquired (note 19)	(1,934,348)	—
Proceeds from sales of property, plant and equipment and land use right	47,807	242,698
Proceeds from sales of available-for-sale financial assets	—	75
Capital injection in a joint venture	(810,900)	(62,459)
Acquisition of joint ventures	(243,013)	—
Capital injection in associated entities	—	(302,959)
Acquisition of associated entities	(564,872)	—
Proceeds from sale of non-current asset held-for-sale	306,481	429,537
Proceeds from disposal of subsidiaries, net of cash disposed (note 20)	502,204	1,936,656
Decrease in amounts due from associated entities and joint ventures	19,277	577,728
(Increase)/decrease in amounts due from related parties of non-controlling interests and non-controlling interests	298,296	447,512
Net cash (used in)/generated from investing activities	(3,537,957)	1,017,618

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Financing activities		
Capital contribution from non-controlling interests	1,287,517	770,160
Dividends paid to equity holders of the Company (note 12)	(1,006,056)	(766,705)
Dividends paid to non-controlling interests	—	(961)
Increase/(decrease) in amounts due to an intermediate holding company	1,499,992	(3)
Increase/(decrease) in amounts due to joint ventures and associated entities	2,345,022	(2,695,251)
Decrease in amounts due to related companies	(6,146)	(36)
Decrease in amounts due to fellow subsidiaries	(108,239)	(3,549,890)
Increase in amounts due to related parties of non-controlling interests and non-controlling interests	768,573	1,135,943
Proceeds from bank borrowings	12,562,603	17,811,484
Repayment of bank borrowings	(21,994,369)	(13,176,563)
Proceeds from other borrowings	23,996,979	4,817,117
Repayment of other borrowings	(20,743,754)	(1,634,716)
Net cash (used in)/generated from financing activities	(1,397,878)	2,710,579
Increase/(decrease) in cash and cash equivalents	5,294,240	(974,850)
Cash and cash equivalents at the beginning of year	16,655,248	17,691,375
Exchange gain/(loss) on cash and cash equivalents	40,967	(61,277)
Cash and cash equivalents at the end of year	21,990,455	16,655,248
Analysis of balances of cash and cash equivalents		
Bank balances and cash (note 31)	21,990,512	16,655,299
Bank overdrafts (note 35)	(57)	(51)
	21,990,455	16,655,248

The notes on pages 98 to 190 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Company				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Reserves RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017 as originally presented	12,759,402	(21,301)	19,647,537	4,603,280	36,988,918
Change in accounting policy (note 2.2)	—	—	154,727	39,921	194,648
Restated balance at 1 January 2018	12,759,402	(21,301)	19,802,264	4,643,201	37,183,566
Comprehensive income					
Profit for the year	—	—	2,727,885	311,608	3,039,493
Other comprehensive income					
Currency translation differences	—	—	(415,210)	—	(415,210)
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	14,336	825	15,161
Losses on cash flow hedges	—	—	(834)	—	(834)
Total other comprehensive income	—	—	(401,708)	825	(400,883)
Total comprehensive income	—	—	2,326,177	312,433	2,638,610
Transactions with owners					
Dividends paid	—	—	(1,006,056)	—	(1,006,056)
Capital injection to subsidiaries	—	—	—	1,287,517	1,287,517
Non-controlling interests arising on business combination (note 19(a))	—	—	—	2,842,000	2,842,000
Acquisition of shares under share award scheme (note 37)	—	(33,919)	—	—	(33,919)
Total transactions with owners	—	(33,919)	(1,006,056)	4,129,517	3,089,542
At 31 December 2018	12,759,402	(55,220)	21,122,385	9,085,151	42,911,718

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

The notes on pages 98 to 190 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 February 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

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

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company’s annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in note 2.3.

(ii) *Historical cost convention*

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

- certain financial assets, financial assets and liabilities (including derivative instruments) and investment property – measured at fair value, and
- financial assets at fair value through other comprehensive income (“FVOCI”) or at fair value through profit or loss (“FVPL”) – measured at fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) *The Group has applied following new standards, amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2018:*

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this year. The Group had to change its accounting policies and make modified retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

Then impact of the adoption of these standards and the new accounting policies are disclosed in note 2.2. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) *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 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 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) 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 2019 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 one set out below:

HKFRS 16 Leases**Nature of change**

HKFRS 16 was issued in January 2016. It 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HKFRS 16 Leases (Continued)

Impact

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB72,516,000, see note 40. The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group expects to increase in the amount of recognised financial liabilities and right-of-use assets for almost all lease contracts. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect any significant impact on the financial statements for the Group's activities as a lessor. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the consolidated financial statements of the Group.

- (i) *Impact on the financial statements*

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact on the financial statements (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December			1 January
	2017	HKFRS 9	HKFRS 15	2018
	RMB'000	RMB'000	RMB'000	Restated
				RMB'000
Consolidated Balance sheet				
(extract)				
Non-current assets				
FVOCI	—	1,206,645	—	1,206,645
Available-for-sale ("AFS") financial assets	1,206,645	(1,206,645)	—	—
Current assets				
Contract costs	—	—	259,530	259,530
Total assets	133,142,511	—	259,530	133,402,041
Non-current liabilities				
Deferred tax liabilities	4,651,862	—	64,882	4,716,744
Current liabilities				
Contract liabilities	—	—	17,633,142	17,633,142
Advance receipts from customers	17,633,142	—	(17,633,142)	—
Total liabilities	96,153,593	—	64,882	96,218,475
Net assets	36,988,918	—	194,648	37,183,566
Retained earnings	18,790,158	—	154,727	18,944,885
Non-controlling interest	4,603,280	—	39,921	4,643,201
Total equity	36,988,918	—	194,648	37,183,566

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments

(a) Classification and measurement

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.11.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact of these changes on the Group's equity is as follows:

	Effect on AFS reserve RMB'000	Effect on FVOCI reserve RMB'000
Opening balance – HKAS 39	731,529	—
Reclassify non-trading equity investments from AFS to financial assets at FVOCI (note)	(731,529)	731,529
Total impact	(731,529)	731,529
Opening balance – HKFRS 9	—	731,529

Note:

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS. As a result, assets with a fair value of RMB1,206,645,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB731,529,000 were reclassified from the AFS reserve to the FVOCI reserve on 1 January 2018.

(b) Impairment of financial assets

While cash and cash equivalent, charged bank deposit, trade receivables, other receivables and deposits are subject to the impairment requirements of HKFRS 9, the identifiable impairment loss was immaterial. For details, please refer to note 3.1(b).

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(iii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements at 1 January 2018. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the opening balance sheet on 1 January 2018:

	HKAS 18 carrying amount 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 15 carrying amount 1 January 2018 RMB'000
Contract costs	—	—	259,530	259,530
Contract liabilities	—	17,633,142	—	17,633,142
Advance receipts from customers	17,633,142	(17,633,142)	—	—
Deferred tax liabilities	4,651,862	—	64,882	4,716,744

The impact on the Group's retained earnings and non-controlling interests ("NCI") as at 1 January 2018 is as follows:

	RMB'000
Retained earnings and NCI as at 31 December 2017	
Retained earnings	18,790,158
Non-controlling interests	4,603,280
Recognition of assets for costs to obtain contracts	259,530
Increase in deferred tax liabilities	(64,882)
Adjustment to retained earnings from adoption of HKFRS 15	154,727
Adjustment to non-controlling interest from adoption of HKFRS 15	39,921
Retained earnings and NCI as at 1 January 2018	
Retained earnings	18,944,885
Non-controlling interests	4,643,201

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(iii) HKFRS 15 Revenue from Contracts with Customers (Continued)

The amount by each financial statements line items affected in 2018 and at 31 December 2018 by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated balance sheet (extract)			
Contract costs	—	334,697	334,697
Deferred tax liabilities	5,520,453	83,674	5,604,127
Contract liabilities	—	31,637,956	31,637,956
Advance receipts from customers	31,637,956	(31,637,956)	—
Retained earnings	20,450,642	216,072	20,666,714
Non-controlling interests	9,050,200	34,951	9,085,151

	Year ended 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated statement of profit or loss (extract)			
Selling and marketing cost	(725,680)	75,167	(650,513)
Taxation	(3,725,117)	(18,792)	(3,743,909)
Profit for the period	2,983,118	56,375	3,039,493
Attributable to			
Equity holders of the company	2,666,540	61,345	2,727,885
Non-controlling interests	316,578	(4,970)	311,608

- (a) Accounting for costs to obtain a contract

Refer to note 27 for the accounting policies for costs to obtain a contract.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(iii) HKFRS 15 Revenue from Contracts with Customers (Continued)

(b) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts were previously included in advance receipts from client (RMB17,633,142,000 as at 1 January 2018).

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Associated entities

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

(iii) Joint arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(iv) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(v) Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Separate financial statements

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

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Land	50 years
Buildings	25-40 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment properties

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

*(iii) Measurement (Continued)***Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

*(v) Accounting policies applied until 31 December 2017**(i) Classification*

The Group classifies its financial assets in the following categories:

- financial assets at FVPL,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at FVPL

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(i) Classification (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, charged bank deposits and cash and cash equivalents (note 30, 31 and 32).

(c) Available-for-sale financial assets

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

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

(ii) Reclassification

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(iii) Recognition and derecognition

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

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

(iv) Measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(v) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

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

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

(b) Available-for-sale financial assets

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Offsetting financial instruments

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

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

2.13 Financial guarantees contracts

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

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

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

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges, which are hedges of the cash flows of recognised financial assets or financial liabilities.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 9. Movements in the hedging reserve in shareholders' equity are shown in note 38. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "finance costs".

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Trade receivable

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 (iv) for a description of the Group's impairment policies.

2.16 Properties under development and properties held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

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

2.17 Cash and cash equivalents

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

2.18 Non-current assets held-for-sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Non-current assets held-for-sale(Continued)

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

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

2.19 Trade and note payables

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

2.20 Borrowings

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

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

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

2.21 Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share capital and shares held under share award scheme

Ordinary shares are classified as equity (note 36).

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

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

Upon grant date, the total consideration related cost of the shares purchased from the market are credited to shares held under share award scheme.

2.23 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(ii) *Deferred income tax (Continued)*

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

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

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

(iii) *Investment allowances and similar tax incentives*

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

2.24 Employee benefits

(i) *Short-term obligations*

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

(ii) *Other long-term employee benefit obligations*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(iii) Pension obligations

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

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

(iv) Profit-sharing and bonus plans

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

(v) Share-based compensation

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

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

(i) Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) Sales of properties

Under HKFRS 15, revenue are 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 asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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

The Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Revenue is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

- (i) (Continued)
- (b) Property lease income
Operating lease rental income is recognised on a straight-line basis over the lease period.
- (c) Property management income
Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered and there is rights to invoice.
- (d) Agency service revenue
Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and no further performance obligations.
- (e) Decoration services
The Group provide decoration services related to interior renovation to customers. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.
- (ii) Accounting policies applied until 31 December 2017
- Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns rebates and discounts and after eliminating sales with the Group.
- The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
- (a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (b) Operating lease rental income is recognised on a straight-line basis over the lease period.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

- (ii) Accounting policies applied until 31 December 2017 (Continued)
 - (c) Revenue from property management is recognised in the period in which the services are rendered.
 - (d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
 - (e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.
 - (f) Dividend income is recognised when the right to receive payment is established.
 - (g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and no further performance obligations.
 - (h) When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

2.27 Dividend income

Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.28 Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 40). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 40). The respective leased assets are included in the balance sheet based on their nature.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

2.30 Dividend distribution

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

2.31 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.32 Contract costs and contract liabilities

Contract costs arising from costs to obtain or fulfil a contract that are recognised in accordance with HKFRS 15. Contract costs for the Group are primarily sales commission for the property sales. The Group recognises above incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover these costs and amortises when the related revenue are recognised.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars (“HKD”) and United States dollars (“USD”); for certain cash and bank balances of approximately RMB570 million (2017: RMB1,143 million) and bank borrowings of approximately RMB7,145 million (2017: RMB7,801 million) which were denominated in HKD and cash and bank balances of approximately RMB343 million (2017: RMB194 million) and bank borrowings of approximately RMB11,604 million (2017: RMB3,248 million) which were dominated in USD as at 31 December 2018. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2018.

At 31 December 2018, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been approximately RMB745 million higher/lower (2017: post-tax profit RMB405 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) Cash flow and fair value interest rate risk

The Group’s exposure to changes in interest rates is mainly attributable to its borrowings at fixed rate expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group’s interest rate risk exposure. As at 31 December 2018, fixed interest rate borrowings accounted for approximately 57% (31 December 2017: 59%) of the total borrowings.

At 31 December 2018, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB78 million lower/higher (2017: post-tax profit RMB88 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its financial assets at FVOCI (2017: in available-for-sale financial assets). The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The financial assets at FVOCI (2017: available-for-sale financial assets) are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group’s equity would have been increased or decreased by approximately RMB79 million (2017: RMB79 million).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, charged bank deposits and trade and other receivables, including amounts due from related parties.

The carrying amounts of trade and other receivables, cash and cash equivalents and charged bank deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, with respect to cash at banks and charged bank deposits are placed with highly reputable financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payments of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced. The Group also provides certain financial guarantee to associates and joint ventures. As the associates and joint ventures have strong capacity to meet their contractual cash flow obligations, the Group has assessed that the expected credit loss is immaterial. Detailed disclosure of these guarantees is made in note 42.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. As at 31 December 2018, certain customers who did not share the same credit risk characteristics as the rest of debtors were in delinquency of payments and their respective trade receivable balances amounting to approximately RMB8,805,000 were therefore fully impaired.

Trade receivables without know insolvencies are assessed on a collective basis based on shared credit risk characteristics. Based on the Group's assessment, expected credit loss rate of these trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivable balances was not material and no provision was recognised.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement record and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on ongoing basis throughout the year. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected loss. Where the expected lifetime of an asset is less than 12 months, expected losses are measure at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 31) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Borrowings (principal amount plus interest)	7,967,755	10,302,543	32,861,639	7,977,088	59,109,025
Trade and note payables (note 32)	1,407,577	—	—	—	1,407,577
Other payables and accrued charges	27,830,331	—	—	—	27,830,331
Financial guarantee	15,822,256	—	—	—	15,822,256
At 31 December 2017					
Borrowings (principal amount plus interest)	10,345,312	13,163,637	21,360,335	9,973,819	54,843,103
Trade and note payables (note 32)	157,875	—	—	—	157,875
Other payables and accrued charges	20,396,921	—	—	—	20,396,921
Financial guarantee	8,876,996	—	—	—	8,876,996

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

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

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total borrowings (note 35)	53,406,105	47,709,088
Less: Cash and cash equivalents (note 31)	(21,990,512)	(16,655,299)
Net debt	31,415,593	31,053,789
Total equity (including non-controlling interests)	42,911,718	36,988,918
Total capital	74,327,311	68,042,707
Gearing ratio	42.3%	45.6%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The decrease in the gearing ratio during 2018 resulted primarily due to the continuous stable growth in business operation.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

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

At 31 December 2018	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Derivative financial instruments – foreign currency forwards	9,069	—
Financial assets at FVOCI (note 24)	—	1,228,635
Total financial assets	9,069	1,228,635
At 31 December 2017	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Available-for-sale financial assets	—	1,206,645

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date
- The fair value of financial assets at FVOCI is determined using the market approach by reference to quoted market prices or dealer quotes for similar instruments

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

The following table presents the changes in level 3 items for the year ended 31 December 2018:

	Financial assets at FVOCI RMB'000
Opening balance at 1 January 2018	1,206,645
Unrealised fair value changes recognised in other comprehensive income	21,990
Closing balance at 31 December 2018	1,228,635

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iv) Valuation processes

The Group measures its financial assets at FVOCI and derivative financial instrument at fair value. The level 3 financial assets were revalued by Jones Lang LaSalle Incorporated (“JLL”), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification at 31 December 2018.

The Group’s finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes, including level 3 fair values. This team reports directly to the senior management and the audit committee (“AC”). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six months, in line with the Group’s interim and annual reporting dates.

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

(v) Fair value of other financial assets and liabilities

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

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

	Level 3	
	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Investment properties (note 17)	10,865,470	13,743,710
Total non-financial assets	10,865,470	13,743,710

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

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

(ii) Valuation techniques used to determine fair values

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

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

As at 31 December 2018, all investment properties are included in level 3 fair value hierarchy.

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

Refer to note 17 for the changes in level 3 items for the years ended 31 December 2018 and 31 December 2017 recurring fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

(iv) Valuation inputs and relationships to fair value

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

Description	Fair value at 31 December 2018 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	10,032,337	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) RMB47/sf/mth to RMB660/sf/mth (2) 3.8% to 7%
Completed investment properties in Hong Kong	833,133	Comparison method and income capitalisation	(1) Market rents (2) Capitalisation rate	(1) HKD8/sf/mth to HKD189/sf/mth (2) 2.8% to 5%

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

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

(v) Valuation processes

The Group measures its investment properties at fair value. The investment properties were revalued by JLL, who have recent experience in the locations and segments of the investment properties valued, at 31 December 2018. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 3.3(b).

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Current and deferred income tax

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

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

(d) Fair value of financial assets at FVOCI/AFS

The best evidence of fair value is current prices in an active market for similar financial assets at FVOCI (2017: AFS). In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Details of fair value estimates on financial assets at FVOCI (2017: AFS) have been disclosed in note 24.

(e) Consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

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

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

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

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Other	revenue from real estate agency and decoration services

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2018					
Revenue	24,290,331	1,014,908	718,753	1,492,218	27,516,210
Inter-segment revenue	—	(168,412)	(34,038)	(880,316)	(1,082,766)
Revenue from external customers	24,290,331	846,496	684,715	611,902	26,433,444
Revenue from contracts with customers:					
Recognised at a point in time	24,290,331	—	—	—	24,290,331
Recognised over time	—	846,496	—	611,902	1,458,398
Revenue from other sources:					
Rental income	—	—	684,715	—	684,715
Segment results	6,113,344	66,415	863,947	115,490	7,159,196
Depreciation and amortisation	(61,984)	(2,686)	—	(302)	(64,972)
Fair value gains on revaluation of investment properties, net	—	—	370,875	—	370,875
Share of profit/(loss) of:					
- joint ventures	61,420	—	—	(2,954)	58,466
- associated entities	25,187	—	385,400	36,162	446,749

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2017					
Revenue	21,794,691	855,095	633,362	1,407,067	24,690,215
Inter-segment revenue	—	(123,833)	(15,540)	(756,934)	(896,307)
Revenue from external customers	21,794,691	731,262	617,822	650,133	23,793,908
Segment results	4,182,419	13,246	250,389	50,502	4,496,556
Depreciation and amortisation	(41,066)	(2,089)	—	(183)	(43,338)
Fair value losses on revaluation of investment properties, net	—	—	(119,326)	—	(119,326)
Share of profit of:					
- joint ventures	81,715	—	—	—	81,715
- associated entities	132,724	—	496,372	34,144	663,240

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2018					
Segment assets	131,179,966	1,289,242	10,865,470	2,064,894	145,399,572
Interests in joint ventures	6,410,367	—	1,059	62,446	6,473,872
Interests in associated entities	7,336,060	—	6,298,546	277,707	13,912,313
Total reportable segments' assets	<u>144,926,393</u>	<u>1,289,242</u>	<u>17,165,075</u>	<u>2,405,047</u>	<u>165,785,757</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>126,332</u>	<u>6,294</u>	<u>5,266</u>	<u>2,947</u>	<u>140,839</u>
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	<u>107,114,512</u>	<u>1,191,239</u>	<u>19,948,470</u>	<u>2,546,639</u>	<u>130,800,860</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>535,155</u>	<u>5,899</u>	<u>9,613</u>	<u>9,850</u>	<u>560,517</u>

Note: Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, 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	
	2018 RMB'000	2017 RMB'000
Segment results	7,159,196	4,496,556
Unallocated operating costs (note)	(88,367)	(93,576)
Other gains, net (note 7)	1,039,814	670,617
Operating profit	8,110,643	5,073,597
Finance income (note 8)	169,665	276,557
Finance costs (note 9)	(2,002,121)	(1,309,699)
Share of profit of:		
– joint ventures (note 22)	58,466	81,715
– associated entities (note 23)	446,749	663,240
Profit before taxation	<u>6,783,402</u>	<u>4,785,410</u>

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total reportable segments' assets	165,785,757	130,800,860
Deferred tax assets (note 39)	492,137	294,853
Prepaid taxation	1,772,324	1,289,824
Corporate assets (note)	770,280	756,974
Total assets	168,820,498	133,142,511

Note: Corporate assets represent total assets other than interests in subsidiaries, interest in associated entities 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 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 2018, the Group does not have any single customer with the transaction value over 10% of the total external sales (2017: same).

6 EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Cost of properties sold included in cost of sales	16,604,384	15,520,786
Employee benefit expenses (note 13)	1,464,379	1,332,561
Selling and promotion expenses	571,314	494,341
Business tax and other levies	324,710	649,425
Cost of inventories included in cost of sales	166,406	431,869
Direct operating expenses arising from investment properties	133,674	187,649
Provision for impairment of properties held for sale (note 26)	85,591	319,496
Operating leases - Land and buildings	83,205	63,850
Depreciation (note 16)	54,724	32,838
Amortisation of land use rights (note 18)	10,248	10,500
Auditor's remuneration	6,000	6,000
Other expenses	231,530	222,795
	19,736,165	19,272,110

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER GAINS, NET

	2018 RMB'000	2017 RMB'000
Remeasurement gains on interests in associated entities (note 19(a)(b))	553,636	—
Gain on disposal of subsidiaries (note 20(a)(b))	463,494	585,312
Gain on bargain purchase on acquisition (note 19(b))	40,111	—
Fair value loss on supporting arrangement liabilities (note 45(b)(II))	(22,736)	—
Loss on disposal of non-current assets held-for-sale	(5,550)	(12,004)
(Loss)/gain on disposal of property, plant and equipment and land use right	(82)	98,336
Others	10,941	(1,027)
	1,039,814	670,617

8 FINANCE INCOME

	2018 RMB'000	2017 RMB'000
Interest income from bank deposits	109,933	178,374
Interest income on amount due from associated entities (note 45(b)(II)(V))	57,308	98,183
Interest income on amount due from a joint venture (note 45(b)(XI))	2,424	—
	169,665	276,557

9 FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings and overdrafts	1,356,077	1,384,525
Interest on borrowings from an associated entity (note 45(b)(II))	23,000	20,742
Interest on borrowings from fellow subsidiaries (note 45(b)(III))	1,982	—
Interest on borrowings from an intermediate holding company (note 45(b)(I))	128,785	108,997
Interest on other borrowings	1,422,669	524,464
Interest on other payable (note (a))	218,248	142,368
Net fair value gains on derivative financial instruments	(8,394)	—
Net foreign exchange loss on financing activities	653,146	28,197
Total borrowing costs incurred	3,795,513	2,209,293
Less: amount capitalised as properties under development and property, plant and equipment (note (b))	(1,793,392)	(899,594)
	2,002,121	1,309,699

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE COSTS (Continued)

Note:

- (a) Interest on other payable represents interest on the current amount of subsidiaries of the Group due to NCI and related parties of NCI. The balance is approximately RMB4,910 million as at 31 December 2018 (31 December 2017: RMB2,200 million) and interest bearing at weighted average rate of 6.69% per annum (2017: 6.83% per annum). The balance, which is included in other payables and accrued charges and denominated in RMB.
- (b) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.82 percent per annum (2017: 4.56 percent per annum).

10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2017: 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 (2017: 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 (2017: 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:

	2018 RMB'000	2017 RMB'000
Current taxation		
China enterprise income tax	1,472,708	1,250,098
China land appreciation tax	1,870,710	1,068,951
Deferred taxation		
Origination and reversal of temporary difference	(10,580)	(116,714)
China land appreciation tax	92,008	19,319
Corporate withholding income tax on undistributed profits	319,063	232,110
	3,743,909	2,453,764

NOTES TO THE FINANCIAL STATEMENTS

10 TAXATION (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation less share of profit of associated entities and joint ventures	6,278,187	4,040,455
Calculated at China enterprise income tax rate of 25 percent (2017: 25 percent)	1,569,547	1,010,114
Effect of different taxation rates	75,225	95,118
Income not subject to taxation	(34,263)	(36,795)
Expenses not deductible for taxation purposes	246,686	254,352
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	95,613	82,663
Effect of land appreciation tax deductible for calculation of income tax purposes	(490,680)	(272,068)
Corporate withholding income tax	319,063	232,110
	1,781,191	1,365,494
Land appreciation tax	1,962,718	1,088,270
Taxation charges	3,743,909	2,453,764

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

	2018			2017		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of financial assets at FVOCI	21,990	(6,829)	15,161	20,957	(6,508)	14,449

NOTES TO THE FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

Basic

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

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	2,727,885	2,260,242
Weighted average number of ordinary shares in issue ('000)	12,401,307	12,401,307
Basic earnings per share (RMB)	0.2200	0.1823

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 2018, diluted earnings per share is equal to basic earnings per share (2017: same).

12 DIVIDENDS

The dividends paid in 2018 was approximately RMB1,006 million (2017: RMB767 million). The directors proposed a final dividend of HKD0.051 per ordinary share, totaling approximately RMB546 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 29 May 2019. These financial statements do not reflect this dividend payable.

	2018 RMB'000	2017 RMB'000
Interim, paid, of HKD0.042 equivalent to RMB0.036 (2017: HKD0.040 equivalent to RMB0.034) per ordinary share	462,368	422,279
Final, proposed, of HKD0.051 equivalent to RMB0.044 (2017: HKD0.052 equivalent to RMB0.042) per ordinary share	545,657	520,855
	1,008,025	943,134

Note:

If the total number of issued ordinary shares as at the record date for the final proposed dividend differs from that as at the date of this announcement, the total amount of the final proposed dividend paid by the Company may change.

NOTES TO THE FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSES

	2018 RMB'000	2017 RMB'000
Wages, salaries and bonus	1,166,749	1,120,276
Pension costs (defined contribution plans)	70,166	40,123
Medical benefits costs (defined contribution plans)	46,547	25,462
Social security costs	108,827	83,537
Termination benefits	1,801	—
Staff welfare	70,289	63,163
	1,464,379	1,332,561

Pension scheme arrangements

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

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

The Group also participates in the Mandatory Provident Fund Scheme (“MPF Scheme”) for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee’s relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group’s and the employee’s contributions are subjected to a cap of HKD1,500 (before 1 Jun 2014: HKD1,250) per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

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

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2018

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

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary Bonuses (note a (v)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (vi)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total RMB'000
								RMB'000	
ZHANG Zhaoxing (Note a(i))	–	1,540	3,590	32	44	–	–	–	5,206
ZHU Chunxiu (Note a(i))	–	1,540	2,468	32	44	–	–	–	4,084
LIN Zhaoyuan	–	1,540	3,428	32	44	3,300	–	–	8,344
LIN Feng (Note a(ii))	–	586	1,637	32	44	864	–	–	3,163
LI Feng	–	1,490	2,240	32	44	–	–	–	3,806
CHEN Jing	–	1,490	2,240	32	44	–	–	–	3,806
LIU Yan (Note a(iii))	–	568	806	32	44	–	–	–	1,450
YU Lup Fat Joseph	355	–	–	–	–	–	–	–	355
LEE Ka Lun	288	–	–	–	–	–	–	–	288
LAU Hon Chuen Ambrose	288	–	–	–	–	–	–	–	288
Total	931	8,754	16,409	224	308	4,164	–	–	30,790

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

31 December 2017

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

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary Bonuses (note a (vi)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (vii)) RMB'000	Remuneration paid or receivable RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total RMB'000
								RMB'000	
ZHANG Zhaoxing	–	1,540	6,295	105	510	–	–	–	8,450
ZHU Chunxiu	–	1,540	3,790	98	513	–	–	–	5,941
LIN Zhaoyuan	–	1,490	6,391	156	228	–	–	–	8,265
LI Feng	–	1,490	1,654	127	155	–	–	–	3,426
OU Junming (Note a(iii))	–	804	910	37	98	–	–	–	1,849
CHEN Jing	–	686	750	57	84	–	–	–	1,577
OU Shao (Note a(iv))	–	44	143	6	–	–	–	–	193
YU Lup Fat Joseph	321	–	–	–	–	–	–	–	321
LEE Ka Lun	252	–	–	–	–	–	–	–	252
LAU Hon Chuen Ambrose	252	–	–	–	–	–	–	–	252
Total	825	7,594	19,933	586	1,588	–	–	–	30,526

NOTES TO THE FINANCIAL STATEMENTS

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) Resigned on 14 August 2018.
- (ii) Appointed on 14 August 2018.
- (iii) Resigned on 17 July 2017.
- (iv) Resigned on 13 January 2017.
- (v) Discretionary bonuses are determined by the Group's financial performance.
- (vi) Other benefits include share award scheme.

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil).

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

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2017: Nil).

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

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the year ended 31 December 2018 (2017: same). No emoluments were paid or payable by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 are also directors whose emoluments are reflected in the analysis presented in note 14 (2017: same).

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Land RMB'000 (note(a))	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2018						
Opening net book amount	5,104	623,886	1,272,079	51,035	8,973	1,961,077
Exchange differences	336	1,547	—	67	17	1,967
Additions	—	2,351	110,563	20,686	1,973	135,573
Disposals	—	(47,824)	—	(13)	(52)	(47,889)
Depreciation (note 6)	(15)	(41,457)	—	(10,564)	(2,688)	(54,724)
Transfer to investment properties (note 17)	—	(1,524)	—	—	—	(1,524)
Transfer	—	553,653	(553,653)	—	—	—
Acquisition of subsidiaries (note 19)	—	—	—	646	—	646
Disposal of a subsidiary (note 20)	—	—	—	(220)	(94)	(314)
Closing net book amount	5,425	1,090,632	828,989	61,637	8,129	1,994,812
At 31 December 2018						
Cost	12,430	1,248,488	828,989	160,144	64,482	2,314,533
Accumulated depreciation and impairment	(7,005)	(157,856)	—	(98,507)	(56,353)	(319,721)
Net book amount	5,425	1,090,632	828,989	61,637	8,129	1,994,812

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Note:

- (a) All the land of the Group are located in Hong Kong with lease terms under 50 years.
- (b) Refer to note 43 for information on assets pledged as security by the Group.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	Completed investment properties		
	China RMB'000	Hong Kong RMB'000	Total RMB'000
Opening balance at 1 January 2018	12,977,160	766,550	13,743,710
Exchange differences	—	35,936	35,936
Transfer from property, plant and equipment (note 16)	1,524	—	1,524
Additions	—	5,266	5,266
Disposals	(92,841)	—	(92,841)
Disposal of a subsidiary (note 20)	(3,199,000)	—	(3,199,000)
Fair value gains, net (note)	346,406	24,469	370,875
Closing balance at 31 December 2018	10,033,249	832,221	10,865,470

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

Note: The net fair value gains of approximately RMB371 million (2017 net fair value losses: approximately RMB119 million) are included in profit or loss that are attributable to unrealised gains or loss for assets held at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (Continued)

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

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

	2018 RMB'000	2017 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	832,221	766,550
Outside Hong Kong (note):		
Leases of between 10 to 50 years	10,033,249	12,977,160
	10,865,470	13,743,710

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

18 LAND USE RIGHTS

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

	2018 RMB'000	2017 RMB'000
Beginning of the year	217,817	233,326
Additions	—	5,254
Disposals	—	(10,263)
Amortisation (note 6)	(10,248)	(10,500)
End of the year	207,569	217,817

	2018 RMB'000	2017 RMB'000
Analysed as:		
Non-current, in China	207,569	217,817

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

	2018 RMB'000	2017 RMB'000
In China:		
Land use rights of between 10 to 50 years	207,569	217,817

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

NOTES TO THE FINANCIAL STATEMENTS

19 BUSINESS COMBINATION

(a) Acquisition of Guangzhou Hong Sheng Property Development Co., Ltd.

On 30 May 2018, the Group, Guangzhou Ming Rui No.1 Industrial Investment Partnership (Limited Partnership) ("Ming Rui No.1") and Guangzhou Hong Sheng Property Development Co., Ltd. ("GHPD") entered into an equity transfer agreement which Ming Rui No. 1 sold 100% of the equity interest in Guangzhou Yunxiu Real Estate Co., Ltd. ("Yunxiu Company") to the Group for a consideration of RMB116 million and the Group agreed to contribute RMB65 million as shareholder's loan into GHPD. Yunxiu Company owns 2% of the equity interest in GHPD. This transaction was completed on 6 June 2018.

Upon completion of the transaction, the Group's indirect effective interest in GHPD will increase from 49% to approximately 50.91%. Accordingly, GHPD would become an indirect non-wholly owned subsidiary of the Group.

Consideration	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	180,926
Fair value of 49% shares held by the Group	2,842,000
	3,022,926

Recognised amounts of identifiable net assets acquired were as follows:

	RMB'000
Property, plant and equipment	551
Deferred tax assets	84,349
Properties under development	11,122,930
Other receivables, prepayments and deposits	4,354,329
Contract costs	35,331
Cash and cash equivalents	397,844
Prepaid taxation	215,829
Trade and note payables	(13,172)
Contract liabilities	(3,211,875)
Other payables and accrued charges	(3,257,547)
Borrowings	(3,094,345)
Taxation payable	(6,363)
Deferred tax liabilities	(762,935)
	5,864,926
Net identifiable assets acquired	5,864,926
Non-controlling interest	(2,842,000)
	3,022,926
Fair value of interest in an associated entity	2,842,000
Less: Interest in an associated entity	(2,293,724)
	548,276

NOTES TO THE FINANCIAL STATEMENTS

19 BUSINESS COMBINATION (Continued)

(a) Acquisition of Guangzhou Hong Sheng Property Development Co., Ltd. (Continued)

Analysis of net inflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	(180,926)
Cash and bank balance acquired	397,844
	216,918

The acquired business contributed revenues of RMB1,325 million and net loss of RMB48 million to the Group for the period from 6 June 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2018 would have been RMB26,433 million and RMB3,029 million respectively.

(b) Acquisition of Wuhan Kangjing Industrial Investment Co., Ltd.

On 14 February 2018, the Group exercised a call option and entered into the equity transfer agreement with Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership) ("Renda No.4"). Renda No.4 sold 92% of the equity interest of Wuhan Kangjing Industrial Investment Co., Ltd. ("Kangjing Company") at a cash consideration of approximately RMB71 million and the Group agreed to contribute RMB3,250 million as shareholder's loan into Kangjing Company. The consideration was consistent with the exercise price agreed in the call option contract, which was equivalent to the total capital contributions made by Renda No.4 in Kangjing Company plus a rate of return not exceeding 12% per annum. This transaction was completed on 31 March 2018.

	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	3,321,250
Fair value of 8% shares held by the Group	9,684
	3,330,934

NOTES TO THE FINANCIAL STATEMENTS

19 BUSINESS COMBINATION (Continued)

(b) Acquisition of Wuhan Kangjing Industrial Investment Co., Ltd. (Continued)

Recognised amounts of identifiable net assets acquired were as follows:

	RMB'000
Property, plant and equipment	95
Properties under development	14,027,000
Other receivables, prepayments and deposits	104,021
Contract costs	45,673
Cash and cash equivalents	1,169,984
Prepaid taxation	180,160
Trade and note payables	(336,884)
Contract liabilities	(4,152,080)
Other payables and accrued charges	(68,605)
Borrowings	(7,559,910)
Deferred tax liabilities	(38,409)
Net identifiable assets acquired	3,371,045
Gain on bargain purchase on acquisition (note 7)	(40,111)
	<u>3,330,934</u>
Fair value of interest in an associated entity	9,684
Less: Interest in an associated entity	(4,324)
	<u>5,360</u>
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	
	RMB'000
Cash paid	(3,321,250)
Cash and bank balance acquired	1,169,984
	<u>(2,151,266)</u>

The acquired business contributed revenues of RMB4,956 million and net profit of RMB299 million to the Group for the period from 31 March 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2018 would have been RMB26,451 million and RMB2,951 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

20 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Guangzhou Yuehui Property Co., Ltd

On 21 December 2018, the Group entered into an equity transfer agreement to dispose 77.79% equity interest in Guangzhou Yuehui Property Co., Ltd (“Guangzhou Yuehui”), a subsidiary of the Group, to Guangzhou Jiachuang Economic Information Consulting Co., Ltd (“Guangzhou Jiachuang”), an associated entity of the Group, at a cash consideration of approximately RMB2,418 million, and transfer the assignment of the shareholder’s loan of approximately RMB280 million. The transaction was completed on 25 December 2018, thereafter, Guangzhou Yuehui became an associated entity of the Group.

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

	2018 RMB’000
Assets and liabilities disposed of:	
Property, plant and equipment	314
Investment property	3,199,000
Properties held for sale	70,811
Other receivables, prepayments and deposits	2,944
Prepaid taxation	190,704
Cash and cash equivalents	28,371
Other payables and accrued charges	(371,364)
Taxation payable	(245,483)
Deferred tax liabilities	(182,709)
Net assets disposed	2,692,588
Consideration receivable (comprises consideration for equity transfer and shareholder’s loan transfer)	2,697,544
Investment in an associated entity	690,226
Less: net assets disposed	(2,692,588)
Less: shareholder’s loan	(280,044)
Gain on disposal of a subsidiary (note 7 and 45(b)(X))	415,138
Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary	
Cash received	—
Cash and bank balances disposed	(28,371)
	(28,371)

The gain on disposal of Guangzhou Yuehui includes gain on disposal of a subsidiary of RMB322,936,000 and gain attributable to measuring fair value of the retained interest in an associated entity of RMB92,202,000.

NOTES TO THE FINANCIAL STATEMENTS

20 DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of Wealthy Reach Holdings Ltd

On 23 December 2018, the Group entered into a share purchase deed to dispose of 100% equity interest in Wealthy Reach Holdings Ltd and its subsidiaries, to Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), an associated entity of the Group, at a cash consideration of approximately RMB563 million, including the assignment of the shareholder's loan of approximately RMB550 million. The transaction was completed on 28 December 2018.

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

	2018 RMB'000
Assets and liabilities disposed of:	
Properties held for sale	562,329
Other receivables, prepayments and deposits	12,830
Cash and cash equivalents	26,136
Contract liabilities	(4,268)
Other payables and accrued charges	(584,034)
Taxation payable	(26,482)
Deferred tax liabilities	(21,551)
Net liabilities disposed	(35,040)
Consideration received (comprises consideration for equity transfer and shareholder's loan transfer)	556,711
Consideration receivable	6,710
Less: net liabilities disposed	35,040
Less: shareholder's loan	(550,105)
Gain on disposal of a subsidiary (note 7 and note 45(b)(II))	48,356
Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary	
Cash received	556,711
Cash and bank balances disposed	(26,136)
	530,575

21 GAINS ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB96 million (2017: RMB351 million) resulting in a total net gain of approximately RMB3 million (2017: RMB1 million).

NOTES TO THE FINANCIAL STATEMENTS

22 INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Investments in joint ventures		
At 1 January	1,844,186	1,700,012
Additions	1,053,914	62,459
Share of profit	58,466	81,715
At 31 December 2018	2,956,566	1,844,186
Amounts due from joint ventures (note 45(c))	3,518,305	3,726,943
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	3,517,306	3,725,944
Total	6,473,872	5,570,130

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

As at 31 December 2018, there is no individually material joint venture to the Group.

Details of the Group's joint ventures as at 31 December 2018 are set out on page 205.

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

	2018 RMB'000	2017 RMB'000
Assets		
Non-current assets	160,916	129,728
Current assets	11,776,825	8,492,307
	11,937,741	8,622,035
Liabilities		
Non-current liabilities	(917,500)	(150,000)
Current liabilities	(8,063,675)	(6,627,849)
	(8,981,175)	(6,777,849)
Net assets	2,956,566	1,844,186
Revenue	793,466	876,041
Expenses	(713,969)	(771,464)
Profit before taxation	79,497	104,577
Taxation	(21,031)	(22,862)
Profit for the year	58,466	81,715

NOTES TO THE FINANCIAL STATEMENTS

22 INTERESTS IN JOINT VENTURES (Continued)

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

The Group's joint ventures did not have any significant capital commitments as at 31 December 2018 (2017: nil).

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

23 INTERESTS IN ASSOCIATED ENTITIES

	2018 RMB'000	2017 RMB'000
Share of net assets	8,714,028	9,279,349
Deferred units (note)	1,554,904	1,749,484
Amounts due from associated entities	3,643,381	3,173,819
Interests in associated entities	13,912,313	14,202,652

Note: In connection with the disposal of Tower Top Development Limited ("Tower Top") to Yuexiu REIT, the Group will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2017. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Group which will not trigger an obligation on the part of the Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Group at the relevant time.

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

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

	2018 RMB'000	2017 RMB'000
Revenue	1,386,470	1,749,610
Profit after tax	446,749	663,240
Assets	23,868,020	27,347,431
Liabilities	(15,153,992)	(18,068,082)
Net assets	8,714,028	9,279,349

Details of the Group's significant associated entities as at 31 December 2018 are set out on page 206.

NOTES TO THE FINANCIAL STATEMENTS

23 INTERESTS IN ASSOCIATED ENTITIES (Continued)

All the interests in associated entities held by the Group are unlisted except for an investment in a material associated entity, Yuexiu REIT with a carrying value of approximately RMB4,560 million (2017: RMB4,143 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB4,935 million (2017: RMB4,390 million).

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

	2018 RMB'000	2017 RMB'000
Investment properties	29,115,000	28,706,000
Other non-current assets (excluding investment properties)	4,525,423	4,505,208
Cash and cash equivalents	1,458,755	1,303,904
Other current assets (excluding cash and cash equivalents)	460,693	375,817
Total assets	35,559,871	34,890,929
Non-current liabilities, other than net assets attributable to unitholders	(16,326,630)	(13,091,440)
Current liabilities	(3,912,502)	(6,835,480)
Total liabilities, other than net assets attributable to unitholders	(20,239,132)	(19,926,920)
Net assets attributable to unitholders	(14,178,927)	(13,876,589)
Total liabilities	(34,418,059)	(33,803,509)
Net assets	1,141,812	1,087,420
Revenue	2,031,876	1,853,899
Fair value gain on investment properties	905,159	885,792
Depreciation and amortisation	(117,426)	(136,143)
Finance income	58,253	573,527
Finance expenses	(1,008,160)	(366,987)
Operating expenses	(921,657)	(973,584)
Others	488,989	(112,231)
Profit before income tax	1,437,034	1,724,273
Income tax expense	(458,369)	(277,544)
Post-tax profit before transactions with unitholders	978,665	1,446,729
Transactions with unitholders	(1,046,319)	(1,066,582)
Gain after income tax after transactions with unitholders	(67,654)	380,147
Other comprehensive income	(35,407)	82,238
Total comprehensive income	(103,061)	462,385
Dividends received	(278,860)	(290,550)

NOTES TO THE FINANCIAL STATEMENTS

23 INTERESTS IN ASSOCIATED ENTITIES (Continued)

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

	2018 RMB'000	2017 RMB'000
Net assets attributable to unitholders as at 1 January	13,876,589	13,534,400
Issuance of units	110,780	111,106
Transactions with unitholders	1,046,319	1,066,582
Distributions paid to unitholders	(854,762)	(835,499)
Net assets at 31 December	14,178,926	13,876,589
Net assets attributable to deferred unitholder	(1,554,904)	(1,749,484)
Net assets attributable to unitholders	12,624,022	12,127,105
Interest in an associated entity	36.12%	34.16%
Carrying value	4,559,797	4,142,619

24 FINANCIAL ASSETS AT FVOCI/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Financial assets at FVOCI 2018 RMB'000	Available for sale financial assets 2017 RMB'000
Opening balance at 1 January	1,206,645	1,186,208
Addition	—	55
Disposal	—	(575)
Increase in fair value recognised in other comprehensive income	21,990	20,957
Closing balance at 31 December	1,228,635	1,206,645

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL ASSETS AT FVOCI/AVAILABLE-FOR-SALE FINANCIAL ASSETS

(Continued)

Financial assets at FVOCI (2017: AFS) represent unlisted securities in companies located in China without external credit ratings.

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

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

If the discount for lack of marketability would be changed by +0.5% or -0.5%, the fair value of the investment and other comprehensive income would decrease or increase by approximately RMB10 million (2017: RMB10 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

25 PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Properties under development	73,069,099	45,789,461

Properties under development are mainly located in China.

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

NOTES TO THE FINANCIAL STATEMENTS

26 PROPERTIES HELD FOR SALE

	2018 RMB'000	2017 RMB'000
Properties held for sale	10,164,536	9,322,176

Properties held for sale are mainly located in China.

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

A provision for impairment of RMB86 million (2017: RMB319 million) is recognised as expense and included in “cost of sales” (note 6).

27 CONTRACT COSTS

The Group has recognised an asset in relation to costs to obtain the property sales contracts.

	31 December 2018 RMB'000
Assets recognised from costs incurred to obtain a contract at 31 December	334,697
Amortisation recognised as selling expenses during the year	(281,711)

Management expects the incremental costs, primarily sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. And there was no impairment loss in relation to the costs capitalised.

NOTES TO THE FINANCIAL STATEMENTS

28 TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	59,721	54,120
Loss allowance	(8,805)	(8,805)
	50,916	45,315

Due to the short-term nature of the current receivable, their carrying amount is considered to be the same as their fair value.

As at 31 December 2018 and 2017, the ageing analysis of the trade receivables from the invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0 - 30 days	20,216	13,387
31 - 180 days	11,393	25,974
181 - 365 days	13,623	1,461
Over 1 year	14,489	13,298
	59,721	54,120

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 3.1(b) for further information about the Group's credit risk analysis for trade receivables.

The Group's trade receivables are denominated in RMB.

29 NON-CURRENT ASSETS HELD-FOR-SALE

In December 2017, the Group entered into a placement agreement with a placing agent, pursuant to which the Group agreed to sell, and the placing agent agreed subject to certain conditions to procure places to purchase, failing which the placing agent will purchase, 77,000,000 units, equivalent to 2.55% of equity interest in Yuexiu REIT for a purchase price of HKD4.89 per unit. The transaction has been completed in 2018.

30 CHARGED BANK DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS

31 CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at bank	21,915,107	16,416,972
Short-term bank deposits	75,405	238,327
	21,990,512	16,655,299

Cash and cash equivalents are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
HKD	570,046	1,142,812
RMB	21,069,928	15,310,725
USD	343,059	194,443
Others	7,479	7,319
	21,990,512	16,655,299

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

The average effective interest rate on short-term bank deposits was 1 percent (2017: 1 percent).

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

NOTES TO THE FINANCIAL STATEMENTS

32 TRADE AND NOTE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	260,055	110,326
Note payables	1,147,522	47,549
	1,407,577	157,875

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

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

	2018 RMB'000	2017 RMB'000
0 - 30 days	560,463	86,433
31 - 90 days	332,645	40,562
91 - 180 days	469,212	14,288
181 - 365 days	21,037	8,556
1 - 2 years	16,579	4,340
Over 2 years	7,641	3,696
	1,407,577	157,875

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

NOTES TO THE FINANCIAL STATEMENTS

33 CONTRACT LIABILITIES AND ADVANCE RECEIPTS FROM CUSTOMERS

	31 December 2018 RMB'000
Contract liabilities	31,637,956
	31 December 2017 RMB'000
Advance receipts from customers	17,633,142

- (a) The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales. The increase in contract liabilities was mainly attributable to the increase in the Group's contracted sales.
- (b) Revenue recognised that was included in the contract liabilities balance at 1 January 2018 is approximately RMB11,083 million in 2018.
- (c) For property management services contracts, the Group recognised revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.
- (d) For other contracts, as a practical expedient, the Group need not disclose transaction price allocated to the remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

34 OTHER PAYABLES AND ACCRUED CHARGES

	2018 RMB'000	2017 RMB'000
Accrual for construction related costs	10,763,974	8,997,724
Accrued employee benefits costs	790,887	573,097
Amounts due to related parties (note 45 (c))	6,410,487	4,689,187
Other payables	11,406,081	7,862,171
	29,371,429	22,122,179

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

NOTES TO THE FINANCIAL STATEMENTS

35 BORROWINGS

	2018 RMB'000	2017 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	10,855,895	11,282,160
– Unsecured	9,623,606	14,838,102
Other borrowings (a)		
– Secured	920,160	—
– Unsecured	26,220,249	13,127,034
Obligations under finance leases	50	166
	47,619,960	39,247,462
Current		
Bank overdrafts	57	51
Short-term bank borrowings		
– Unsecured	383,527	550,773
Current portion of long-term bank borrowings		
– Secured	2,204,200	1,014,750
– Unsecured	100	2,812,285
Other borrowings (a)		
– Secured	300,000	—
– Unsecured	2,898,202	4,083,760
Obligations under finance leases	59	7
	5,786,145	8,461,626
Total borrowings	53,406,105	47,709,088

(a) Other borrowings

(i) PRC corporate bonds

In 2016, the Group issued aggregated nominal value of RMB8,000 million corporate bonds with interest rates ranging from 2.95% to 3.19% per annum and with maturity between 3 years to 7 years. The net proceed, after deducting the issuance costs, amounted to RMB7,968 million.

In 2018, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates ranging from 4.24% to 4.25% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to approximately RMB1,494 million.

Guangzhou Yuexiu Holdings Limited (“GZYX”), the ultimate holding company, provides guarantee for above corporate bond (note 45(e)).

NOTES TO THE FINANCIAL STATEMENTS

35 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(ii) Medium term notes

In 2013, the Group issued medium-term notes of USD500 million with an interest rate of 4.50% per annum and with maturity in 2023.

In 2014, the Group issued medium term notes of HKD2,300 million with an interest rate of 6.10% per annum and with maturity in 2029.

In 2018, the Group borrowed a loan of RMB1,111 million with a 9-year maturity. The interest rates are ranging from 4.98% to 5.50% per annum.

In 2018, the Group issued medium term notes of USD1,200 million with interest rates of 4.875% to 5.375% per annum and with maturity between 2021 to 2023. The net proceed after deducting the issuance costs, amounted to USD1,191 million.

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Within one year	2,587,884	4,377,859	3,198,261	4,083,767
In the second year	6,805,171	10,719,368	1,656,000	997,914
In the third to fifth year	11,096,030	12,504,894	20,284,116	6,480,284
Over five years	2,578,300	2,896,000	5,200,343	5,649,002
	23,067,385	30,498,121	30,338,720	17,210,967

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

	2018			2017		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	2.62%	5.57%	—	2.70%	4.16%	—
Other borrowings	6.27%	4.37%	4.83%	7.07%	3.42%	4.33%
Bank overdrafts	3.48%	—	—	3.48%	—	—

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

	2018 RMB'000	2017 RMB'000
HKD	7,144,654	7,801,021
RMB	34,657,300	36,659,925
USD	11,604,151	3,248,142
	53,406,105	47,709,088

The fair values of borrowings approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

36 SHARE CAPITAL

	Number of shares (‘000)	Share capital RMB’000	Total RMB’000
At 31 December 2017	12,401,307	12,759,402	12,759,402
	Number of shares (‘000)	Share capital RMB’000	Total RMB’000
At 31 December 2018	12,401,307	12,759,402	12,759,402

Ordinary shares have no par value.

37 SHARES HELD UNDER SHARE AWARD SCHEME

Adoption of the share award scheme

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

Scheme Limit

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

Operation

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

NOTES TO THE FINANCIAL STATEMENTS

37 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

	2018	2017	2018	2017
	Shares ('000)	Shares ('000)	RMB'000	RMB'000
Shares held under share award scheme	(44,283)	(17,192)	(55,220)	(21,301)

These shares are acquired from the market by the Group's Employee Share Trust under the share award scheme.

	Number of shares ('000)	RMB'000
Opening balance 1 January 2017	—	—
Acquisition of shares by the Trust	(17,192)	(21,301)
Balance 31 December 2017	(17,192)	(21,301)
Acquisition of shares by the Trust	(27,091)	(33,919)
Balance 31 December 2018	(44,283)	(55,220)

The weighted average price of awarded shares held during the year ended 31 December 2018 was approximately RMB1.25 per share (2017: RMB1.24 per share).

As at 31 December 2018, the total number of issued ordinary shares of the Company included 44,283,335 shares held under the share award scheme (31 December 2017: 17,192,473 shares), and no shares was granted to the relevant selected participant during the year.

NOTES TO THE FINANCIAL STATEMENTS

38 RESERVES

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available- for-sale financial assets fair value reserve (note c) RMB'000	Financial assets at FVOCI (note b) RMB'000	Hedging reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2017	213,964	(88,114)	731,529	—	—	18,790,158	19,647,537
Change in accounting policy	—	—	(731,529)	731,529	—	154,727	154,727
Restated as at 1 January 2018	213,964	(88,114)	—	731,529	—	18,944,885	19,802,264
Currency translation differences	—	(415,210)	—	—	—	—	(415,210)
Change in fair value of equity investment at FVOCI							
— gross	—	—	—	20,891	—	—	20,891
— tax	—	—	—	(5,223)	—	—	(5,223)
— effect of withholding tax	—	—	—	(1,332)	—	—	(1,332)
Losses on cash flow hedges	—	—	—	—	(834)	—	(834)
Profit attributable to shareholders	—	—	—	—	—	2,727,885	2,727,885
Dividends paid	—	—	—	—	—	(1,006,056)	(1,006,056)
At 31 December 2018	213,964	(503,324)	—	745,865	(834)	20,666,714	21,122,385
Representing:							
2018 final dividend proposed						545,657	
Others						20,121,057	
						20,666,714	

NOTES TO THE FINANCIAL STATEMENTS

38 RESERVES (Continued)

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

Note:

(a) Statutory reserves

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

(b) Financial asset at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(c) Available-for-sale financial assets-until 31 December 2017

Changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (eg equities), were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 2.11 for details.

NOTES TO THE FINANCIAL STATEMENTS

39 DEFERRED TAXATION

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

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

	2018 RMB'000	2017 RMB'000
Beginning of the year	4,357,009	4,256,745
Charged to profit or loss during the year (note 10)	400,491	134,715
Disposal of subsidiaries (note 20)	(204,260)	(38,055)
Acquisition of subsidiaries (note 19)	716,995	—
Deferred taxation charged to equity (note 10)	6,829	6,508
Payment	(167,132)	—
Exchange differences	2,058	(2,904)
End of the year	5,111,990	4,357,009

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

	Different bases in reporting expenses with tax authorities RMB'000	Provision for impairment of properties RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	45,687	42,377	246,674	1,021	335,759
Acquisition of subsidiaries (note 19)	84,349	—	—	—	84,349
Charged/(credited) to profit or loss during the year	116,654	21,398	(49,971)	—	88,081
At 31 December 2018	246,690	63,775	196,703	1,021	508,189
At 1 January 2017	45,687	18,608	169,703	1,021	235,019
Charged to profit or loss during the year	—	23,769	76,971	—	100,740
At 31 December 2017	45,687	42,377	246,674	1,021	335,759

NOTES TO THE FINANCIAL STATEMENTS

39 DEFERRED TAXATION (Continued)

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

	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, joint ventures and associated entities RMB'000	Total RMB'000
At 1 January 2018	2,850,366	53,919	282,148	4,241	9,439	1,492,655	4,692,768
Exchange differences	2,058	—	—	—	—	—	2,058
Charged/(credited) to profit or loss during the year	237,109	(53,919)	—	(4,241)	(9,439)	319,063	488,572
Credited to reserves	—	—	5,497	—	—	1,332	6,829
Disposal of subsidiaries (note 20)	(204,260)	—	—	—	—	—	(204,260)
Acquisition of subsidiaries (note 19)	801,344	—	—	—	—	—	801,344
Payment	—	—	—	—	—	(167,132)	(167,132)
At 31 December 2018	3,686,617	—	287,645	—	—	1,645,917	5,620,179
At 1 January 2017	2,857,074	67,490	277,171	4,241	9,459	1,276,329	4,491,764
Exchange differences	(2,904)	—	—	—	—	—	(2,904)
Charged/(credited) to profit or loss during the year	16,936	(13,571)	—	—	(20)	232,110	235,455
Credited to reserves	—	—	4,977	—	—	1,531	6,508
Disposal of subsidiaries	(20,740)	—	—	—	—	(17,315)	(38,055)
At 31 December 2017	2,850,366	53,919	282,148	4,241	9,439	1,492,655	4,692,768

NOTES TO THE FINANCIAL STATEMENTS

39 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2018 RMB'000	2017 RMB'000
Deferred tax assets		
– China enterprise income tax	492,137	294,853
	492,137	294,853
Deferred tax liabilities		
– Hong Kong profits tax	26,842	23,543
– China enterprise income tax	4,361,441	3,504,483
– China land appreciation tax	1,215,844	1,123,836
	5,604,127	4,651,862

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2018, the Group had unrecognised deferred tax benefits of approximately RMB507 million (2017: RMB449 million) in respect of tax losses of approximately RMB1,161 million (2017: RMB2,474 million). Tax losses amounting to RMB944 million (2017: RMB930 million) will expire at various dates up to and including 2023 (2017: 2022). The remaining tax losses have no expiry date.

40 NON-CANCELLABLE OPERATING LEASES

At 31 December 2018, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	388,138	394,018
Later than one year and not later than five years	741,384	934,369
Later than five years	185,839	165,224
	1,315,361	1,493,611

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

	2018 RMB'000	2017 RMB'000
Not later than one year	22,051	47,574
Later than one year and not later than five years	50,465	46,487
	72,516	94,061

NOTES TO THE FINANCIAL STATEMENTS

41 CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	486,092	719,610
Authorised but not contracted for	311,906	553,797
	797,998	1,273,407

42 GUARANTEES

	2018 RMB'000	2017 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	13,692,282	8,426,996
Guarantee for banking and loan facility granted to associated entities (note (b))	779,974	—
Guarantees for banking and loan facilities granted to joint ventures (note (b))	1,350,000	450,000
	15,822,256	8,876,996

Note:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) As at 31 December 2018, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB2,130 million (31 December 2017: RMB 450 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which guarantee of approximately RMB1,198 million (31 December 2017: RMB49 million) was utilised and guarantee of approximately RMB932 million (31 December 2017: RMB401 million) was not utilised yet.

43 SECURITIES FOR BANKING FACILITIES

At 31 December 2018, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with aggregate carrying values of approximately RMB29,365 million (2017: RMB23,504 million), RMB1,435 million (2017: RMB1,237 million), RMB6,650 million (2017: RMB6,248 million) and RMB639 million (2017: RMB595 million) respectively and
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (2017: RMB7 million).

NOTES TO THE FINANCIAL STATEMENTS

44 LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings due within 1 year (excluing overdraft) RMB'000	Borrowings due after 1 year RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 31 December 2017	(8,461,575)	(39,247,462)	(9,589,067)	(57,298,104)
Cash flows	7,620,583	(1,442,042)	(3,493,146)	2,685,395
Foreign exchange adjustments	91,159	(1,208,917)	—	(1,117,758)
Transfer between borrowings due within 1 year and after 1 year	(3,517,852)	3,517,852	—	—
Declaration of dividends	—	—	(1,006,056)	(1,006,056)
Acquisition of subsidiaries	(1,517,000)	(9,137,255)	544,601	(10,109,654)
Other changes (a)	(1,403)	(102,136)	(540,080)	(643,619)
Liabilities from financing activities as at 31 December 2018	(5,786,088)	(47,619,960)	(14,083,748)	(67,489,796)

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

Note:

- (a) Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holding Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2018:

Significant related parties	Relationship with the Company
GZYX	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Yuexiu REIT	An associated entity
Guangzhou Jiachuang	An associated entity
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
Guangzhou Securities Company Limited ("GSCL")	A fellow subsidiary
Guangzhou Yuexiu Development Group Limited ("GYD")	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co.,Ltd. ("GCCD")	A fellow subsidiary
廣州雅城房地產開發有限公司 ("雅城")	A fellow subsidiary
GHPD	Note
濟南鵬遠置業有限公司 ("濟南鵬遠")	A joint venture
廣州資產管理有限公司 ("資產管理")	An associated entity of a fellow subsidiary
金鷹基金管理有限公司 ("金鷹")	An associated entity of a fellow subsidiary

Note: GHPD was an associated company and become a subsidiary since 6 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Save as disclosed in note 19 and note 20 in these financial statements, the Group had the following transactions with related parties during the year:

	2018 RMB'000	2017 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees	(2,390)	(3,215)
Interest expense (note 9)	(128,785)	(108,997)
(II) Transactions with Yuexiu REIT		
Gain on disposal of a subsidiary (note 20(b))	48,356	422,885
Tenancy service fees income	24,547	19,025
Rental expenses	(75,941)	(57,791)
Interest expense (note 9)	(23,000)	(20,742)
Interest income (note 8)	18,354	—
Fair value loss on support arrangement liabilities (note 7)	(22,736)	—
(III) Transaction with CHB		
Deposit interest income	14,065	10,445
Rental income	11,177	7,641
Interest expenses (note 9)	(1,982)	—
Loss on foreign exchange transactions	(4,250)	(4,655)
Proceeds from management service	2,307	1,611
Gain on foreign currency forward	29,218	—
(IV) Transaction with GYFL		
Rental income	10,136	3,642
(V) Transaction with GHPD		
Interest income (note 8)	38,954	98,183
(VI) Transaction with 資產管理		
Rental income	6,369	1,470
(VII) Transaction with 金鷹		
Rental income	9,593	3,382
(VIII) Transaction with GSCL		
Rental income	1,914	279
(IX) Transaction with GCCD		
Sales of investment properties	30,441	—

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2018 RMB'000	2017 RMB'000
(X) Transaction with Guangzhou Jiachuang Disposal of a subsidiary (note 20(a))	2,697,544	—
(XI) Transaction with 濟南鵬遠 Interest income (note 8)	2,424	—
(XII) Transaction with GYD Sales of properties	—	426,674
(XIII) Transaction with 雅城 Gain on disposal of property, plant and equipment and land use right	—	98,336

The price of above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

(c) Balances with related parties

	Note	2018 RMB'000	2017 RMB'000
Amount due to an intermediate holding company	(i), (ii)	(1,500,000)	(8)
Amounts due from associated entities	(iv), (vi)	9,880,716	5,992,792
Amounts due to associated entities	(ii), (vii)	(1,270,717)	(2,458,010)
Amounts due from joint ventures	(iii), (v), (vi)	3,577,445	3,737,365
Amounts due to joint ventures	(i), (ii)	(3,318,814)	(1,795,828)
Amounts due from related companies	(i), (ii)	38,282	38,282
Amounts due to related companies	(i), (ii)	(34,422)	(40,568)
Amounts due to fellow subsidiaries	(i), (ii)	(286,534)	(394,773)
Cash at bank from a fellow subsidiary	(viii)	924,875	943,692
Bank borrowing from a fellow subsidiary	(ix)	83,526	—
Other borrowings from an intermediate holding company	(x)	—	(4,083,760)

Except for the amounts due from associated entities which are denominated in HKD, all other related party balances are denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Note:

- (i) These balances are unsecured, interest free and repayable or receivable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB60,139,000 (31 December 2017: RMB 11,422,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of approximately RMB6,237,335,000 (31 December 2017: RMB 2,818,973,000) which is included in other receivables, prepayments and deposits.
- (v) The balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2017: RMB999,000) which is made for an amount due from a joint venture.
- (vi) Except for an amount of approximately RMB103,319,000 (31 December 2017: RMB 2,394,620,000) which is unsecured and interest bearing at 4.75% per annum (2017: 6.18% per annum), the remaining balances are unsecured, interest free and receivable on demand.
- (vii) Except for an amount of approximately RMB238,915,000 (31 December 2017: RMB266,357,000) which is unsecured and interest bearing at 9% per annum (2017: 9% per annum), the remaining balances are unsecured, interest free and repayable on demand.
- (viii) These balances are deposits maintained with a fellow subsidiary on normal commercial terms.
- (ix) These balances are unsecured, interest bearing at 5.22% per annum and will be repaid in 2019.
- (x) The borrowing has been repaid and there is no remaining balance as at 31 December 2018. (31 December 2017: RMB4,083,760,000 with interest bearing of 4.57% per annum),.

(d) Key management compensation

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

	2018 RMB'000	2017 RMB'000
Fees	931	825
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	29,635	29,115
Pension costs	224	586
	30,790	30,526

NOTES TO THE FINANCIAL STATEMENTS

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(e) Received guarantees

- (i) GZYX provides guarantee for the bond of Guangzhou City Construction & Development Co. Ltd (“GZCC”), a subsidiary of the Group, amounted to RMB9,477 million as at 31 December 2018 (31 December 2017: RMB7,976 million).
- (ii) GZYX provides guarantee for bank loan of Kangjing Company, a subsidiary of the Group, amounted to RMB1,155 million as at 31 December 2018 (31 December 2017: nil).
- (iii) GZYX provides guarantee for bank loan of Suzhou Shenyi Property Development Co., Ltd, a subsidiary of the Group, amounted to RMB300 million as at 31 December 2018 (31 December 2017: nil).
- (iv) GCCD provides guarantee for bank loan of Guangzhou City Construction & Development Group Nansha Co. Ltd, a subsidiary of the Group, amounted to RMB136 million as at 31 December 2018 (31 December 2017: nil).

(f) Provision of guarantees

The Group provides guarantee for the borrowing of associated entities and joint ventures, see note 42.

46 SUBSEQUENT EVENT

On 27 February 2019, the Company entered into a conditional subscription agreement with the Guangzhou Metro Investment Finance (HK) Limited (a wholly-owned subsidiary of Guangzhou Metro Group Co., Ltd (“Guangzhou Metro”)) relating to the proposed subscription by the GZ Metro Subscriber of 3,080,973,807 subscription shares at the subscription price of HK\$2.00 per subscription share for a total consideration of HK\$6,162 million. The subscription shares represent approximately 19.9% of the total number of issued shares as enlarged by the allotment and the issue of the subscription shares.

Simultaneously, with the entering into of the subscription agreement above, Guangzhou Yunhu Real Estate Development Co., Ltd. (the “Purchaser”) (an indirectly non-wholly owned subsidiary of the Company) entered into a set of acquisitions agreements with GZYX, the wholly owned subsidiary of GZYX and Guangzhou Metro respectively, pursuant to which the Purchaser has conditionally agreed to acquire directly or indirectly, an aggregate of 86% of the equity interest in Guangzhou City Pinxiu Property Development Company Limited together with the relevant loan interests belong to by GZYX and Guangzhou Metro. The total consideration for the acquisitions, not considering the subscription above, was estimated to be approximately RMB14,108 million in aggregate. The completion of the acquisitions subjected to the satisfaction of the conditions that the completion of the subscription having taken place.

NOTES TO THE FINANCIAL STATEMENTS

47 COMPANY BALANCE SHEET

	2018 RMB'000	2017 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,284	5,887
Investment properties	11,566	10,407
Interests in subsidiaries	33,882,116	31,026,854
Interest in associated entities	19,253	19,234
Derivative financial assets	9,069	—
	33,927,288	31,062,382
Current assets		
Other receivables, prepayments and deposits	2,095	3,095
Dividend receivables	4,572,831	2,687,599
Cash and cash equivalents	742,266	737,585
	5,317,192	3,428,279
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	4,293,458	2,667,339
Amounts due to an intermediate holding company	1,499,992	—
Other payables and accrued charges	218,377	197,787
Borrowings	131,489	4,434,540
	6,143,316	7,299,666
Net current liabilities	(826,124)	(3,871,387)
Total assets less current liabilities	33,101,164	27,190,995

NOTES TO THE FINANCIAL STATEMENTS

47 COMPANY BALANCE SHEET (Continued)

	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Amount due to a subsidiary	17,462,961	9,085,057
Borrowings	1,972,123	4,324,386
	19,435,084	13,409,443
Net assets	13,666,080	13,781,552
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	(55,220)	(21,301)
Reserves (note)	961,898	1,043,451
Total equity	13,666,080	13,781,552

On behalf of the Board

Lin Zhaoyuan

Director

Lin Feng

Director

NOTES TO THE FINANCIAL STATEMENTS

47 COMPANY BALANCE SHEET (Continued)

Note:

Reserves

	Hedging	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	—	1,043,451	1,043,451
Profit for the year	—	925,337	925,337
Losses on cash flow hedges	(834)	—	(834)
Dividends paid	—	(1,006,056)	(1,006,056)
At 31 December 2018	(834)	962,732	961,898

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

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2018, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Able Step Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HKD7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares (HKD1,000)	—	100	—	100	Investment holding

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares (HKD500,000)	—	100	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Guangzhou Baima Business Operation Property Management Co., Ltd	China, limited liability company	Registered capital RMB5,000,000	—	99.84	—	99.84	Property management
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	95	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	95	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HKD259,670,000	—	100	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	75	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	—	100	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	—	95	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	98.13	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	98.62	—	98.62	Decoration and design

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB380,000,000	—	95.48	—	95.48	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	99.75	—	99.75	Property development
Guangzhou Yuexiu Property Development Co., Ltd	China, limited liability company	Registered capital RMB12,994,800	—	99.75	—	99.75	Property development and investment
Guangzhou Yuexiu Property Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	98.25	—	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	80	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	97.6	—	97.6	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	95	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	95	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co. Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	99.06	—	99.06	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	100	—	100	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	95	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	95	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares (HKD2)	100	—	100	—	Financing
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	95	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	95	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	99.75	—	99.75	Property investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.28	—	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital USD499,070,000	—	100	—	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares (HKD2)	100	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	95	—	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Keen Million Investment Limited	Hong Kong	1 Ordinary share (HKD1)	100	—	100	—	Financing

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Kingswell Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Leading Affluence Limited	Hong Kong	1 Ordinary share (HKD1)	100	—	100	—	Financing
Lucken Limited	Hong Kong	3 Ordinary shares (HKD3)	—	100	—	100	Property investment
Merry Growth Development Limited	Hong Kong	100 Ordinary shares (HKD100)	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares (HKD100)	—	100	—	100	Property investment
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Westwood Group Holdings Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Financing
Winston Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares (HKD100) and 500,000 Non-voting deferred shares (HKD500,000)	—	100	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	—	100	—	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	100	—	100	Property development
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	—	47.5	—	47.5	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.45	—	48.45	Property development
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	—	100	—	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital HKD1,165,940,000	—	100	—	100	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital USD99,800,000	—	100	—	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB605,000,000	—	95	—	95	Property development
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	—	100	—	100	Property development
青島越秀地產開發有限公司	China, limited liability company	Registered capital HKD2,289,000,000	—	100	—	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HKD624,000,000	—	100	—	100	Property development
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital USD290,000,000	—	100	—	100	Property development
廣州東秀房地產開發有限公司	China, limited liability company	Registered capital RMB820,000,000	—	95.48	—	95.48	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital USD59,800,000	—	99.95	—	99.95	Property development
越秀地產（瀋陽）物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.95	—	99.95	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	—	49.88	—	49.88	Property management
越秀地產（山東）物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.75	—	99.75	Property management

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,910,000,000	—	100	—	100	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.75	—	99.75	Property management
廣州悅秀會信息科技有限公司	China, limited liability company	Registered capital RMB500,000	—	99.75	—	99.75	Property management
廣州市薈景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.70	—	99.70	Greening services
廣州市悅冠物業設備工程有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.70	—	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95.48	—	95.48	Property development
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property development
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣東東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95	—	95	Property development
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB300,000,000	—	100	—	100	Trade finance
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	—	100	—	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB850,000,000	—	95.48	—	95.48	Property development
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.75	—	99.75	Property management

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	—	57	—	57	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	95.48	—	95.48	Property development
廣州越港房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	100	—	100	Property development
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95.48	—	95.48	Property management
佛山市禪城區越輝房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	95	—	95	Property development
杭州越港實業投資有限公司	China, limited liability company	Registered capital RMB360,000,000	—	95.48	—	95.48	Property development
江門越港房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	46.41	—	46.41	Property development
廣州東耀房地產開發有限公司	China, limited liability company	Registered capital RMB2,000,000,000	—	48.69	—	48.69	Property development
武漢市錦熹實業投資合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99	—	99	Investment consulting
杭州樾樂投資管理合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99	—	99	Investment consulting
青島合勝投資合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99	—	99	Property investment
江門市群輝實業投資中心(有限合夥)	China, partnership	Registered capital RMB10,000	—	99	—	99	Investment holding
廣州速榮實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Metal manufacturing
廣州市耀維實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Metal manufacturing

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
廣州中璟慧富房地產開發有限公司	China, limited liability company	Registered capital RMB4,160,000	—	95	—	95	Property development
杭州燄樂實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
廣州城迅實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
青島越星房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州堅秀實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州安翠實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
杭州誠鑒實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
杭州松炎實業投資有限公司	China, limited liability company	Registered capital RMB5,000,000	—	95	—	95	Property investment
杭州松炬實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	95	Property investment
杭州炎盛實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
杭州燄熠實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property investment
武漢炎勝置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
武漢東焱置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
廣州越登實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
江門越佳房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.40	—	95.40	Property development
青島宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.12	—	95.12	Property development
杭州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB 100,000,000	—	95.04	—	95.04	Property development
舟山宏智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Information consulting
舟山欣德商貿發展有限公司	China, limited liability company	Registered capital RMB60,000,000	—	47.50	—	47.50	Trading
杭州慧盛企業管理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Management consulting
太倉和融商貿有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	47.50	Trading
蘇州向東島房地產開發有限公司	China, limited liability company	Registered capital RMB380,000,000	—	47.50	—	47.50	Property development
武漢越武房地產開發有限公司	China, limited liability company	Registered capital RMB120,000,000	—	51.42	—	51.42	Property development
青島越成投資管理有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Investment holding
廣州展康投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
廣州越秀商業地產投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
杭州東日經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Information consulting service

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
杭州春焱實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property investment
廣州鉅熹經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Commercial services
廣州顯昌投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Investment holding
廣州裕永投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100	—	100	Commercial services
杭州東智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Information consulting service
武漢東雄置業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
武漢嘉耀房地產開發有限公司	China, limited liability company	Registered capital RMB90,000,000	—	95	—	95	Property development
武漢嘉盛房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	95	Property development
武漢悅盛房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	48.69	—	95.48	Property development
武漢嘉萱房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95.48	—	95.48	Property development
武漢嘉祺房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95.48	—	95.48	Property development
杭州盛寅房地產開發有限公司	China, limited liability company	Registered capital RMB2,100,000,000	—	48.45	—	48.45	Property development
杭州豐勝房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	95	Property development
杭州越榮房地產開發有限公司	China, limited liability company	Registered capital RMB1,350,000,000	—	39.18	—	39.18	Property development

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
廣州雋景一號房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	100	—	100	Property development
青島越港房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	95	Property development
鶴山市越恒房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州景耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	—	95	—	95	Property Investment
廣州譽耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	—	95	—	95	Property Investment
廣州佳耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	—	95	—	95	Property Investment
廣州晉耀置業有限公司	China, limited liability company	Registered capital RMB1,000,000	—	95	—	95	Property Investment
廣州宏勝房地產開發有限公司	China, limited liability company	Registered capital RMB3,598,000,000	—	50.91	—	49	Property development
武漢康景實業投資有限公司	China, limited liability company	Registered capital RMB50,000,000	—	99.64	—	—	Property development
煙台中越置業有限責任公司	China, limited liability company	Registered capital RMB150,000,000	—	90.25	—	—	Property development
青島東耀房地產開發有限公司	China, limited liability company	Registered capital USD120,000,000	—	51	—	—	Property development
蘇州燦耀房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	95	—	—	Property development
廣州雋越房地產開發有限責任公司	China, limited liability company	Registered capital RMB50,000,000	—	95	—	—	Property development
青島雲佳房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	—	99.5	—	—	Property development

GROUP STRUCTURE

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

PRINCIPAL JOINT VENTURES

As at 31 December 2018, the Group held shares/interests in the following principal joint ventures:

Name of joint venture	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co. Ltd.	China	57.14	—	52	—	52	Property development
廣州中耀實業投資有限公司	China	50	—	47.74	—	47.74	Property development
廣州越禾房地產開發有限公司	China	50	—	47.74	—	47.74	Property development
廣州市暉邦置業有限公司	China	50	—	47.74	—	47.74	Property development
深圳市銀幸現代養老服務有限公司	China	51	—	48.45	—	48.45	Elderly care service
武漢中建越秀港投開發有限公司	China	35	—	35	—	35	Property development
廣州智聯汽車小鎮投資發展有限公司	China	30	—	28.64	—	—	Property development
蘇州嶼秀房地產開發有限公司	China	16.50	—	15.68	—	—	Property development
湖北宏秀房地產開發有限公司	China	30	—	28.50	—	—	Property development
武漢崇鴻裕業房地產開發有限公司	China	15	—	14.25	—	—	Property development
濟南鵬遠置業有限公司	China	40	—	38	—	—	Property development
江門市濱江房地產開發投資有限公司	China	50	—	47.50	—	—	Property development

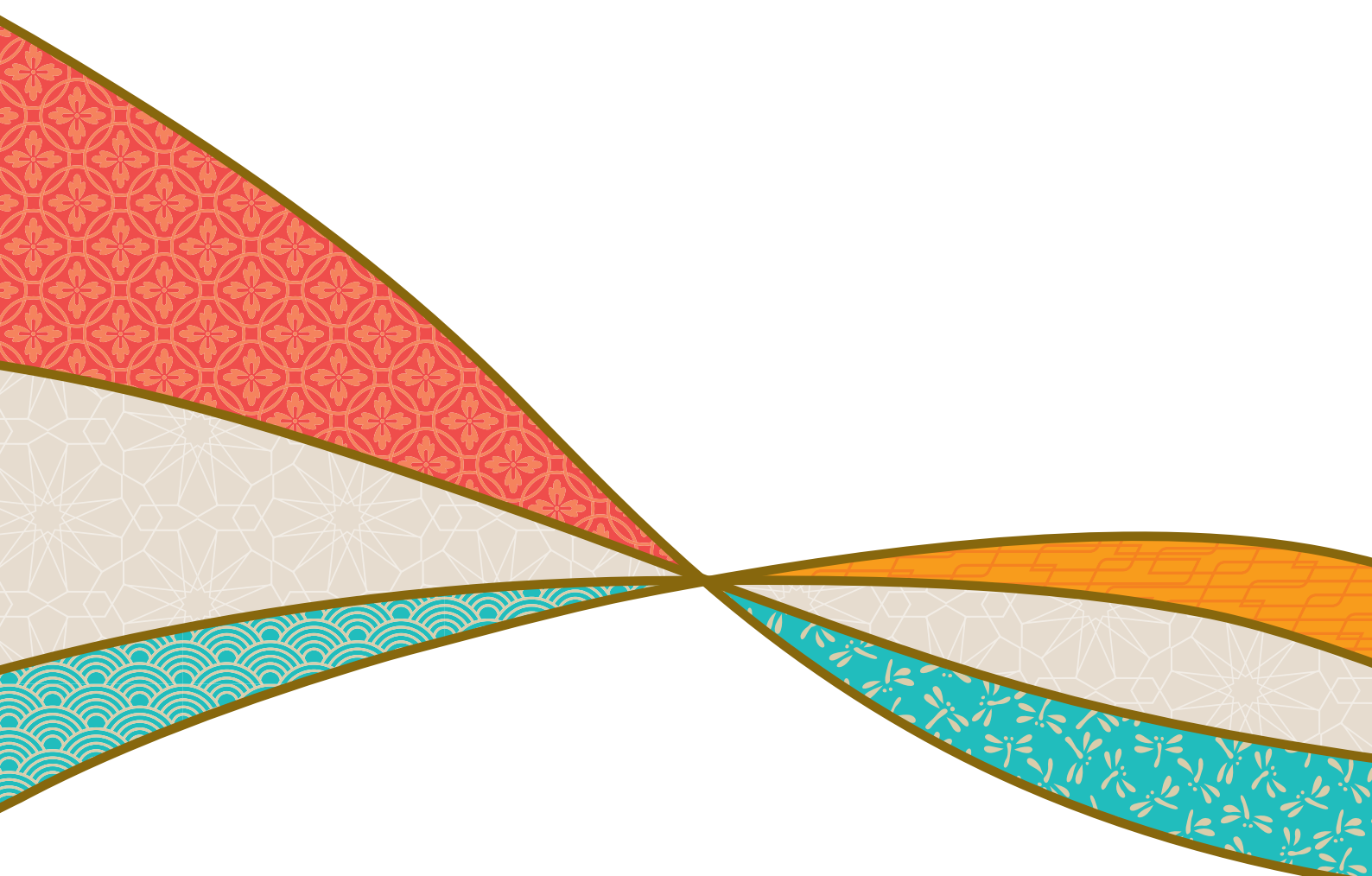
GROUP STRUCTURE

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2018, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2018		2017		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong	—	36.12	—	36.72	Property investment
廣州宏嘉房地產開發有限公司(i)	China	—	15.95	—	15.95	Property development
廣州宏軒房地產開發有限公司(i)	China	—	15.95	—	15.95	Property development
江門市蓬江區碧桂園房地產開發有限公司	China	—	44.59	—	44.59	Property development
杭州龍禧房地產開發有限公司	China	—	28.64	—	28.64	Property development
廣州璟擘房地產開發有限公司(i)	China	—	15.95	—	15.95	Property development
杭州星日房地產開發有限公司	China	—	49.03	—	49.03	Property development
武漢越秀地產開發有限公司	China	—	33	—	33	Property development
廣州合錦嘉苑房地產開發有限公司(i)	China	—	14.25	—	14.25	Property development
杭州添智投資有限公司(i)	China	—	15.91	—	15.91	Investment holding
廣州市昊品房地產有限公司	China	—	46.55	—	46.55	Property development
廣州碧森房地產開發有限公司(i)	China	—	13.63	—	—	Property development
濟南元賀置業有限公司	China	—	23.51	—	—	Property development
廣州市越匯房地產有限公司	China	—	31.45	—	98.89	Property development
廣州隼業房地產開發有限公司(i)	China	—	6.75	—	6.75	Property development
江門越嘉房地產開發有限公司(i)	China	—	9.50	—	9.50	Property development
杭州杭榮房地產開發有限公司(i)	China	—	9.50	—	9.50	Property development
廣州宏耀房地產開發有限公司(i)	China	—	9.55	—	9.55	Property development
廣州宏睿房地產開發有限公司(i)	China	—	9.55	—	9.55	Property development
廣州萬宏房地產開發有限公司(i)	China	—	9.55	—	9.55	Property development

- (i) The Group has representation on the board in which the Group has the power to participate in the financial and operating policy decisions and therefore have significant influence over these entities.



越秀地產股份有限公司

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