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

Stock Code : 00123

Where Good Living Starts

Annual Report 2019

CONTENTS

CORPORATE STRUCTURE

As at 31 December 2019

GUANGZHOU YUE XIU HOLDINGS LIMITED

100%

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

39.78%

YUEXIU PROPERTY COMPANY LIMITED

(Stock Code: 00123)

38.10%

YUEXIU REAL ESTATE INVESTMENT TRUST

(Stock Code: 00405)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Non-executive director

Mr Ouyang Changcheng

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
Registered Public Interest Entity Auditor

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 54, 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)
HK$1,100,000,000 1.875 per cent. Exchangeable Bonds due 2020
(Code: 6003)

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 3.75 per cent. Corporate Bonds due 2021 (16 穗建 02 Code: 136601)
RMB2,500,000,000 3.80 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 3.60 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)
RMB1,950,000,000 3.85 per cent. Corporate Bonds due 2022 (19 穗建 01 Code:155436)
RMB550,000,000 3.93 per cent. Corporate Bonds due 2024 (19 穗建 02 Code: 155437)
RMB1,500,000,000 3.60 per cent. Corporate Bonds due 2024 (19 穗建 04 Code: 155760)
RMB1,500,000,000 3.83 per cent. Corporate Bonds due 2024 (19 穗專 01 Code: 155411)

INVESTOR RELATIONS

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

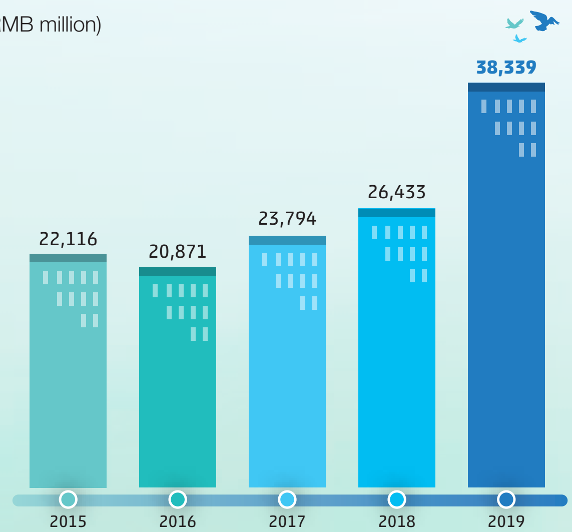
RMB'000	*For the year ended 31 December* 2019	2018	2017	2016	2015
Revenue	**38,339,112**	26,433,444	23,793,908	20,871,021	22,115,677
Gross profit	**13,117,387**	8,392,922	6,108,107	4,339,601	4,658,816
Profit attributable to equity holders – from continuing operations	**3,483,351**	2,727,885	2,260,242	1,540,154	1,012,889
Basic earnings per share – from continuing operations (RMB)	**0.2410**	0.2200	0.1823	0.1242	0.0817

BALANCE SHEET HIGHLIGHTS

RMB'000	*As of 31 December* 2019	2018	2017	2016	2015
Total cash (including cash, cash equivalents and charged bank deposits)	**30,189,370**	27,159,262	20,794,411	22,021,982	15,168,118
Total assets	**234,697,255**	168,820,498	133,142,511	125,364,916	112,024,654
Total assets less current liabilities	**127,779,621**	96,191,429	80,945,660	72,438,260	69,490,564
Shareholders' equity	**40,723,508**	33,826,567	32,385,638	30,623,986	29,618,176
Shareholders' equity per share (RMB)	**2.630**	2.728	2.611	2.469	2.388

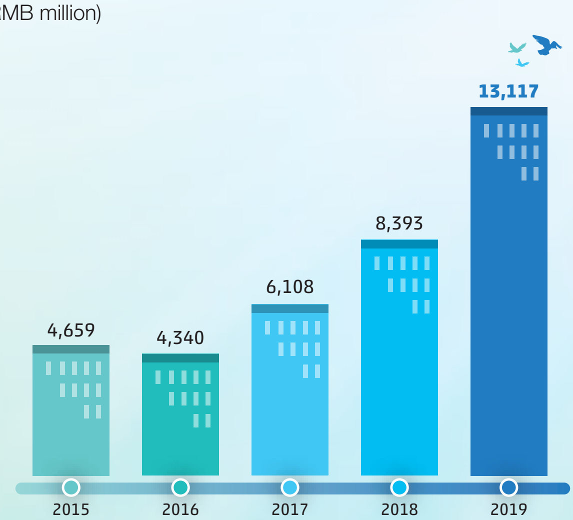
REVENUE

(RMB million)



GROSS PROFIT

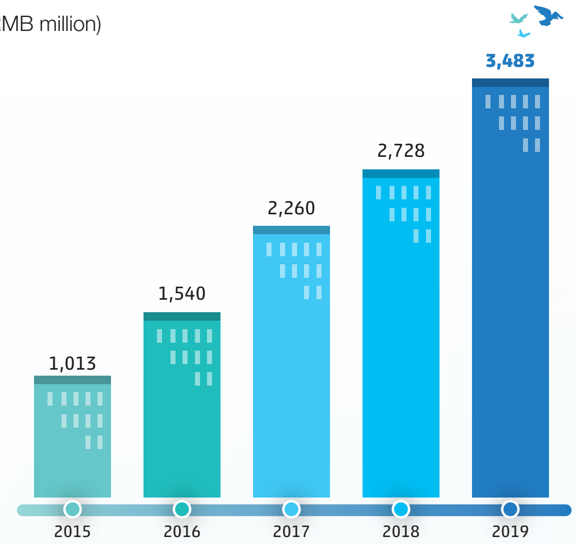
(RMB million)



FINANCIAL HIGHLIGHTS

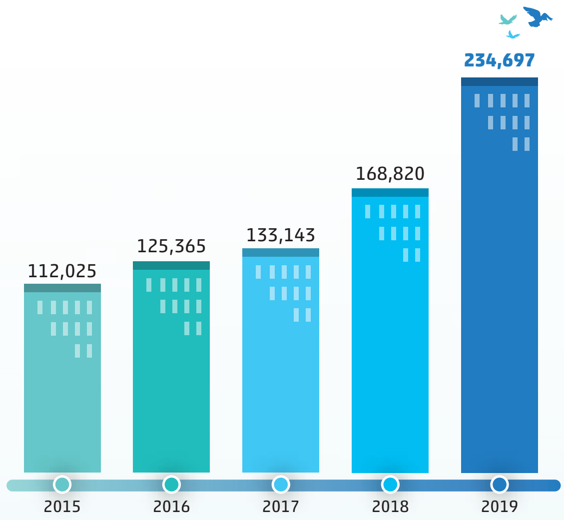
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



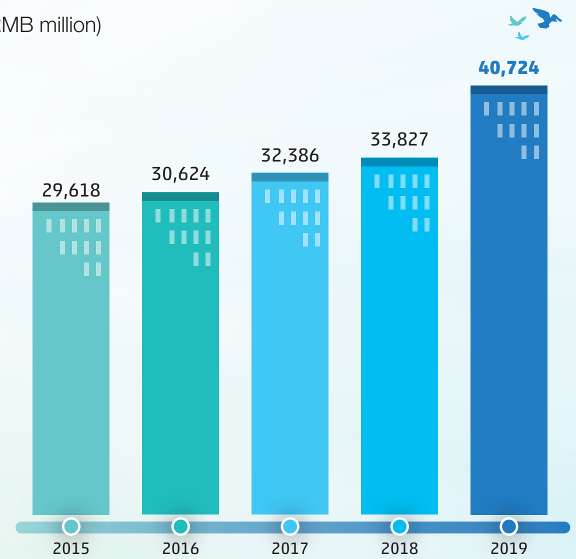
TOTAL ASSETS

(RMB million)



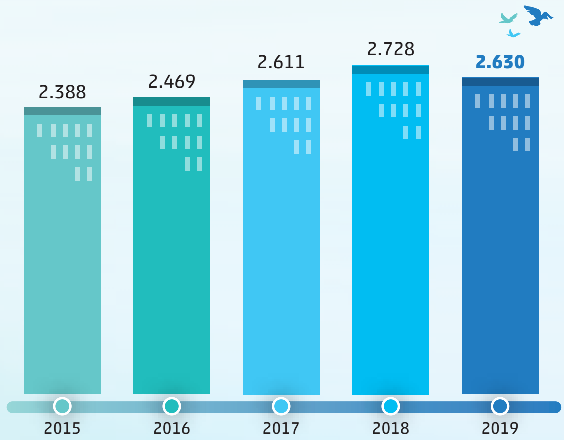
SHAREHOLDERS' EQUITY

(RMB million)



SHAREHOLDERS' EQUITY PER SHARE

(RMB Yuan)



KEY EVENTS OF THE YEAR

01 The contracted sales value of the Group hit another record high with approximately RMB72.11 billion, representing a year-on-year increase of 24.8%, which exceeded the full year contracted sales target of RMB68 billion.

02 The Group newly entered five cities of Shenzhen, Zhengzhou, Changsha, Jiaxing and Chengdu and expanded to 19 cities nationwide, further optimized the Group's "1 + 4" national layout which deepened Greater Bay Area-rooted strategy and prioritized developments in Eastern China, Central China, Northern China and Western China.

03 The Group introduced Guangzhou Metro Group to be its second largest shareholder with the shareholding of 19.9% and acquired three metro projects namely Yue Galaxy, Yue Melody and Yue Infinity. The model of "Railway + Property" was successfully implemented.

04 The Group obtained the qualifications for the redevelopment of two old villages – Lirendong Village, Panyu, Guangzhou and Dongliu Village, Nansha, Guangzhou with a majority support by villager's representatives, steadily developing the business of urban renewal.

05 The Group successfully acquired eight projects in Guangzhou, Jiangmen, Suzhou, Jiaxing and Chengdu through cooperations with SOEs, and increased its landbank.

KEY EVENTS OF THE YEAR

06 The Group's operating capabilities and achievement was recognized, and the rating outlook was upgraded to "stable" by Moody's, an international credit rating agency, which aided the Group to obtain lower funding cost in the capital market.

07 The Group was selected as a constituent stock (benchmark index) of the Hang Seng Corporate Sustainability Index Series (HSSUS) for the first time and became a benchmark for the sustainable development of Hong Kong listed companies.

08 The Group successfully issued various bonds in the PRC of approximately RMB7.3 billion with terms ranging from 3 to 5 years, and coupon rates ranging from 3.60% to 4.03%.

09 The Group officially commenced its first "Sino-French cooperation" retirement project namely Yuexiu Haiyi Garden, and the first long-term leasing project namely Yuexiu Star Home, which made positive progress in new businesses.

10 The Group teamed up with renowned schools, and signed a contract with South China Normal University and the Primary School Affiliated to Guangzhou University for collaboration on leading education project.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

MR LIN ZHAOYUAN
CHAIRMAN

I. BUSINESS REVIEW

Economic and Market Environment

In 2019, global economy continued its slowing growth. The escalated and continuing China-US trade disputes posed enormous risks to growth in global trade and economy. While the US economy performed remarkably, the major developed economies faced a slowdown and the emerging markets and developing economies saw a drop in growth. In 2019, in view of tremendous risks inside and outside China, increased external uncertainties and destabilising factors, there was downward pressure on the macro economy. However, the macroeconomic indicators were kept within a proper range as a result of a series of measures by the Chinese government. It upheld a stable and progressive development trend to deepen the supply-side reform continuously. Together with greater support of fiscal policy and monetary policy from the government, and its active implementation of the policy of "Six Stabilities" that ensures "stability in employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations", it also constantly adjusted economic structure and upgraded consumption as well as accelerated reform and opening up. The economy maintained a stable development throughout the year with a year-on-year growth of 6.1% in GDP.

CHAIRMAN'S STATEMENT

In 2019, the PRC's property market policies aimed at "housing for living in rather than for speculation", "policy implementation in line with each city and categorised control measures" and "stabilising land price, housing price, and expectation". Generally speaking, development of the PRC property market as a whole was stable. The GFA of commodity housing sales was approximately 1.72 billion sq.m., representing a year-on-year decrease of 0.1%, while commodity housing sales value was approximately RMB16.0 trillion, representing a year-on-year increase of 6.5%. The property sector continued to serve its pillar function in the national economy. In 2019, there was obvious results achieved in terms of adjustment and control of the PRC property market. The sales volume of commodity housing in major cities recorded a slight year-on-year adjustment with a small rise in price. The overall trend was stable and the property market showed a clear differentiation.

The land market was stable as a whole with a slight increase in supply and transactions of residential land, high transaction price and low land premiums. Local governments intensified the categorised controls of land supply, optimised the rule of land auction and controlled the land premiums. As the economic fundamentals of tier-1 and tier-2 cities was solid and land supply was limited, land competition and land premiums remained fierce and relatively high respectively. In the second half of the year, the industry's funding environment faced tightening, which led to increased balance sheet pressure for the property developers and the land market returning to reasonable level.

Steady Growth in Operating Results

In 2019, the Group centered on the annual work theme of "deepened management ability improvement, operation-driven development", and grasped the guiding principle of "enhanced competitiveness, stable operation, and balanced development." By improving the management ability and building the core competitiveness of business development, the Group realised sustained high-quality business growth.

In 2019, the revenue of the Group was approximately RMB38.34 billion, representing a year-on-year increase of 45.0%. The gross profit margin was approximately 34.2%, representing a year-on-year increase of 2.4 percentage points. Profit attributable to equity holders was approximately RMB3.48 billion, representing a year-on-year increase of 27.7%. Core net profit was approximately RMB3.51 billion, representing a year-on-year increase of 24.8%. As at the end of 2019, the unrecognised sales value amounted to RMB88.55 billion, representing a year-on-year increase of 38.6%.

The Board proposed to declare a final dividend for 2019 of HKD0.049 per share (equivalent to RMB0.044 per share), together with the interim dividends, total dividends for the full year of 2019 was HKD0.102 per share (equivalent to RMB0.091 per share). Calculated in Hong Kong dollars, the dividend per share for the full year of 2019 increased by 9.7% on a year-on-year basis.

Contracted Sales Hit Record High

In 2019, the Group adopted flexible and proper sales strategies and grasped market opportunities in response to the control policies of "housing for living in rather than for speculation", "policy implementation in line with each city" and changes in the market. Hence it accelerated sales and cash collection, achieved significant growth in contracted sales and hit a record high. During the year, the Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB72.11 billion, representing a year-on-year increase of 24.8%, accounting for 106.0% of the full year contracted sales target of RMB68.0 billion. The contracted sales GFA was approximately 3.49 million sq.m., representing a year-on-year increase of 26.1%. The average selling price was approximately RMB20,700 per sq.m., flat on a year-on-year basis.

Safe and Sound Financial Positions

As at the end of 2019, cash and cash equivalents and charged bank deposits amounted to approximately RMB30.19 billion, representing a year-on-year increase of 11.2%; the net gearing ratio was 74.0% within a proper range, representing a year-on-year increase of 12.8 percentage points. Net cash inflows from operating activities amounted to approximately RMB6.37 billion. The financial position was healthy and safe.

In 2019, fully leveraging the advantages of multiple funding channels onshore and offshore, the Group strengthened capital management, optimised the funding models, and endeavoured to reduce the funding cost. The Group successfully issued various onshore bonds of approximately RMB7.30 billion with coupon rates between 3.60% and 4.03% and terms between 3 years and 5 years, which helps optimise the debt portfolio and debt structure. The average borrowing interest rate was 4.93%, representing a slight increase on a year-on-year basis.

Increase High-quality Landbank through Diversified Models

In 2019, through various distinct channels including "Railway + Property", "Yuexiu Group Incubation + Yuexiu Property Purchase", cooperation with state-owned enterprises, urban renewal, land acquisition by application mechanism, auction in the open market, the Group newly acquired 27 prime land parcels located in eleven cities including Guangzhou, Shenzhen, Zhongshan, Jiangmen, Hangzhou, Suzhou, Jiaxing, Zhengzhou, Changsha, Qingdao and Chengdu at relatively low premiums, with a total GFA of approximately 7.71 million sq.m., and the attributable GFA was approximately 5.21 million sq.m.. With the new expansion to tier-1 and tier-2 cities as well as potential metropolis including Shenzhen, Chengdu, Zhengzhou, Changsha and Jiaxing, the nationwide development layout has included 19 cities and the regional layout was more balanced and reasonable.

As at the end of 2019, the total landbank of the Group amounted to approximately 23.87 million sq.m. and covered 19 cities and regions across the country, which is sufficient for development in the next three to five years.

Efficient Promotion of the Greater Bay Area-rooted Strategy

The Group strived to deepen and expand its operation with remarkable performance on account of the smooth implementation of the Greater Bay Area-rooted market strategy and the completed layout of six cities in the Greater Bay Area. It was also attributable to the constant enhancement in organisational structure and the set-up of four regional companies such as Bay East, Bay Middle, Bay West and Railway Transit. In 2019, the contract sales value of the Greater Bay Area of the Group amounted to approximately RMB42.14 billion, representing a year-on-year increase of 21.6% and accounting for approximately 58.5% of the total contract sales value.

Taking "The Development Plan of Guangdong-Hong Kong-Macao Greater Bay Area" as a strategic opportunity, the Group strengthened the strategic layout of the Greater Bay Area and completed the first land acquisition in Shenzhen, the central city of the Greater Bay Area. According to the plan, Shenzhen will leverage on its unique edges in developing the Greater Bay Area, building itself into an innovation-led global city. For that reason, Shenzhen has considerable potential in the property development as it is facing enormous shortage of land supply but a huge demand.

The Group successfully obtained a high-quality landbank with a total GFA of approximately 0.17 million sq.m. in Baoan District, Shenzhen during the year. In addition to Shenzhen, the Group also increased thirteen high-quality land parcels with a total GFA of approximately 4.80 million sq.m. in three cities including Guangzhou, Zhongshan and Jiangmen in Greater Bay Area.

As at the end of 2019, the landbank owned by the Group in six cities of the Greater Bay Area amounted to approximately 12.34 million sq.m., accounting for approximately 51.7% of the total landbank.

CHAIRMAN'S STATEMENT

Successful Implementation of "Railway + Property" Model

In the first half of the year, the Group completed the acquisition of 86% of the equity interest in Yue Galaxy, which was the first "Railway + Property" project from Guangzhou Yuexiu Group and Guangzhou Metro Group. Besides, the Group also completed 3.08 billion shares subscription by Guangzhou Metro Group at the subscription price of HK$2.0 per subscription share. Guangzhou Metro Group became the second-largest shareholder of the Group with the shareholding of approximately 19.9%.

Upon completion of the acquisition, Yue Galaxy would be developed into a large residential project with a total GFA of approximately 1.36 million sq.m., in which sellable GFA was approximately 0.94 million sq.m.. With such a large scale of the project, the Group aimed at building Yue Galaxy into a mega residential complex with commercial, educational, cultural and other community facilities. The project located in Guanhu village, Xintang town, Zengcheng district, Guangzhou city is an atop-station development project at Guanhu Station of Guangzhou Metro Line 13.

In the second half of the year, the Group successfully acquired 51% interest in two metro property projects, namely Yue Melody in Huangpu district and Yue Infinity in Panyu district, both in Guangzhou. The Yue Melody adjacent to Xiangxue Station of Guangzhou Metro Line 6 was the only large-scale land in the core area of district, with a total GFA of approximately 0.91 million sq.m.. It can be developed into a large-scale complex consisting of residential buildings and educational facilities. Located at Chentougang Station of Guangzhou Metro Line 22, Yue Infinity is an atop-station development project, a rare large-scale residential project at Panyu district in Guangzhou, with a total GFA of approximately 0.88 million sq.m.. Guangzhou Metro Line 22 is expected to commence into operation in 2020, which may add value to the project.

The successful implementation of the Group's "Railway + Property" model will significantly enhance the Group's ability to acquire quality landbank, which will facilitate the rapid development of the Group's real estate business.

After the successful acquisition of the three metro property projects, a total GFA of such metro property projects reached approximately 3.15 million sq.m., accounting for approximately 13.2% of the total landbank. During the year, the metro property projects realised contracted sales value of approximately RMB5.08 billion and such sale accounted for approximately 7.0% of the total contracted sales value.

Remarkable Progress in Urban Renewal Business

In 2019, the Group obtained the qualification for the redevelopment of two old villages, namely Lirendong village in Panyu district and Dongliu village in Nansha district, both in Guangzhou. For Lirendong village, the planned re-development area is approximately 1.72 million sq.m. and the total GFA will be approximately 3.49 million sq.m. after the re-development. For Dongliu village, the planned re-development area is approximately 60,000 sq.m. and the total GFA will reach approximately 0.25 million sq.m. after the re-development. In the future, the Group will negotiate a specific demolition plan with the villagers, and formally acquire the landbank after the relevant steps are implemented. Redevelopment of the old villages is a new channel for the Group to obtain land resources and can become another important potential acquisition model following the "Railway + Property" model.

Steady Development of Commercial Properties

Upholding the Strategy of "Coordinated Development of Both Residential and Commercial Properties", the Group is committed to continuous enhancement of business operation capacity through the optimisation of the dual platform of "Yuexiu Property-Yuexiu REIT" and the active implementation of the development model of "development + operations + securitisation". Thereby the Group developed its commercial properties business as a growth pillar and stabiliser for the Group. As at the end of 2019, the Group directly owned approximately 0.70 million sq.m. of investment properties for leasing and recorded a rental income of approximately RMB0.69 billion, representing a year-on-year increase of 0.7% during the year. The Group held approximately 38.1% of Yuexiu REIT, which had 0.97 million sq.m. of commercial properties for lease and achieved revenue of approximately RMB2.06 billion during the year, representing a year-on-year increase of 1.3%.

Constant Improvement in Organisational Management

In light of the continuous growth in the development scale, the Group constantly improved the organisational management system. The Group continued to enhance the operational management system centred by project operations, while optimising the operational mechanism and system, accelerating turnover for better quality and efficiency with the business-driven focus and comprehensively enhancing the management of business lines including construction, product, cost and procurement. Moreover, with the aim of building an excellent team with strong execution ability and common goals and values, the Group continued to improve the implementation of the mechanisms of co-investment and share incentive schemes and enhance the internal cultivation and introduction of core talents together with the set-up of talent bank.

II. BUSINESS OUTLOOK

Looking forward to 2020, the global economy will still face many risk factors such as the uncertainty of the China-US trade conflicts, hard Brexit and geopolitical risks that will pose enormous potential risks to the growth in the global economy. However, the phase-one economic and trade agreement between China and the United States will be beneficial to stabilising the world economic and trade development. Meanwhile, in response to the weak global economy, major developed economies and developing economies will ease monetary policies, and also the Federal Reserve is expected to remain looser monetary policies in 2020, which will be conducive to the stabilisation and recovery of the global economy. China's economy will face a number of internal and external environmental challenges. In particular, the undetermined prospect of China-US trade conflicts and the impact prompted by novel coronavirus outbreak at the beginning of the year will make China's macroeconomy bear more significant downward pressure. Chinese government is expected to strengthen the macroeconomic stability continuously under the overarching principle of "seeking growth while maintaining stability", since the year 2020 will witness China's creation of a well-off society and the accomplishment of "13th Five-Year Plan". Moreover, it will implement a proactive fiscal policy and a moderately prudent monetary policy, continue to deepen supply-side reforms and strengthen innovation to accelerate the upgrading of industries and consumption structure. The government will adhere to the acceleration of reform and opening up as the driving force while improving the measure "Six Stabilities". China's macroeconomy is expected to operate within a proper range and maintain steady growth in 2020, which is attributable to the easing effect of China-US economic and trade relation and the government's forthcoming measures supporting the economy.

CHAIRMAN'S STATEMENT

In 2020, the property market is expected to remain stable as a whole. The control policies of the government will continue to remain stable, with focus on the positioning of "housing for living in rather than for speculation" along with city-specific emphasis. The government will continue to promote the launch of long-term mechanism of the property market, ensure the steady and healthy development of the real estate industry and refrain from using the property sector as short-term stimulus. The government is expected to properly relax the regulation and control policies on the property market in response to the enormous influence incurred by the novel coronavirus outbreak on macroeconomic operations and the property market. Besides, there will be correction in the total market transactions with limited room for price growth given that the novel coronavirus outbreak is expected to pose a negative impact, while the market performance will continue to be significantly differentiated. The overall market in the Greater Bay Area and the Yangtze River Delta urban agglomeration presents a good trend due to the strong demand for housing and the larger room for favorable policies. However, the tier-3 and tier-4 cities face the relatively weak market demand and the relatively high downward pressure on the market. Both the rigid and improved demand will still dominate the overall market demand. The government will carry out the categorised control measure of "policy implementation in line with each city" based on the land markets in different cities to adjust land supply and to stablise land prices. Supply of credit fund will remain moderate in general whereas the funding environment of property developers will be steady and tight, thereby the government will strengthen the supervision of the funding by property developers to control the industry risks effectively. However, the government may properly relax the funding control policy on the property market in response to the negative effect incurred by the novel coronavirus outbreak on property market.

Achieving Various Annual Operation Targets

In 2020, the Group will adhere to the theme of "improvement of in-depth management capability, operation-driven development" and devote every effort to achieve its annual sales and business targets in line with the strategic requirements of "utilising resource, improving capacity, strengthening business, adjusting structure, promoting transformation and seeking development". In terms of sales, the Group will target to achieve high sell-through rate and cash collection rate through grasping the pace of market changes, accelerating goods supply and precise launches to expand marketing channels, and speeding up the sales of railway projects, aiming to achieve the annual sales target. For the operation, the Group will step up project development and asset turnover to continuously enhance profitability. For the product development, the Group will uphold the operational principle of "quality product, quality service and quality brand" to improve the competitiveness of products. In the meantime, the Group will make the TOD product lines and the service system innovative by making use of "Railway + Property" business. Moreover, with the aim of building an excellent team with strong execution ability and common goals and values, the Group will enhance the implementation of the mechanisms of co-investment and share incentive schemes and step up the internal cultivation and introduction of core talents together with the set-up of talent bank.

Acquisition of High-Quality Land Resources by Diversified Models

The Group will continue to reinforce the unique platform for the acquisition of quality land resources, and optimise the unique acquisition model of "Railway + Property". Besides, the Group will consolidate acquisition approach of "Yuexiu Group Incubation + Yuexiu Property Purchase". By capturing on the background of state-owned enterprises, the Group will step up cooperation with state-owned enterprises for the quality gain in land resources. Taking the urban renewal projects of Lirendong and Dongliu villages as an opportunity, the Group will utilize the model of old village redevelopment into a new channel for the Group to obtain quality land resources. The Group will also continue to redevelop old cities and old factories while innovate the ways for land acquisition including conversion of industrial land, business parks and through building supporting facilities. With regard to the open land market, the Group will constantly improve the market study for a various cities and customer-based investigation under the principle of "deepening the macro-view and strengthening the micro-view", so that the reliability and effectiveness of investment decisions will be enhanced. Regarding the allocation of investment resources, the Group will incline to support areas, cities and projects with high input to output ratio, rapid asset turnover, and high sell-through rate and cash collection rate, and outstanding teams, which act on the requirements of controlled pace, good landbank structure and optimal layout. For the layout of investment regions, the upholding of "1+4" regional layout will enable the Group to secure its leading position in the Greater Bay Area when it focuses on the Greater Bay Area. At the same time, the Group will also moderately increase its resources investment in the regions of Eastern China, Central China, Northern China and Western China.

Continued Improvement in Control and Operation Capabilities

The Group will continue to be sensitive to customers' needs and accelerate the establishment of a customer research system, and with the property owner's life cycle experience as the direction, provide quality products and services and continue to improve its development and operation capabilities.

Following the expansion of the regional layout, the Group will continue to strengthen the refined management level of operations, manage the operation of the projects well and improve operational efficiency. Besides, the Group will strengthen the project management, ensure on-time supply and project delivery, optimise the assessment system of the project schedule, enhance the standardisation of project management and effectively improve the project management control standard. Moreover, the Group will continue to optimise supplier resources and structures and develop and improve costs and procurement system. The Group will optimise cost control and strengthen dynamic cost management, thereby achieving an accurate cost allocation.

Steady Enhancement of Commercial Property Operation

Adhering to the crucial development strategy of "Coordinated development of both residential and commercial properties", the Group will emphasise on the improvement of both capacity and efficiency in commercial properties operation. On one hand, by researching into the economy, industry, business, market, and customers of a city where the commercial property is located, the Group will optimise the project positioning and customer structure. The Group will continue to enhance the rental rate and the occupancy rate and hence help raise the value of the commercial properties through increasing its operational capability of commercial properties. On the other hand, the Group will comprehensively improve the competitiveness of commercial properties, optimise commercial types and provide quality products for customers. At the same time, the Group will proactively explore asset-light management and operation model, thus develop commercial property business into an important "stabiliser" and core competitive edge of the Group

Ensuring Financial Prudence and Security

Due to the external economic fluctuations and risks in liquidity, interest rate and foreign exchange rate arising from uncertainties of the market environment, the Group will strengthen the overall management of capital and focus on accelerating sales and cash collection and continue to enhance efficiency of capital utilisation. Moreover, the Group will make full use of all kinds of financial instruments including the extensive use of onshore and offshore funding channels to continuously optimise the capital management, reduce the funding costs and optimise the debt structure, thereby managing exchange rate risk. Meanwhile, the Group shall further strengthen the function of risk control, improve the financial risk monitoring system, and enhance the risk alert and control.

Steadily Develop New Businesses

The Group will steadily develop the new businesses. Concerning the general health industry, the Group will use the elderly care business as the major base, integrate upstream and downstream resources, establish its products, services, brands and teams with excellent quality and achieve stable growth of general health business. For the operated projects, the Group will focus on enhancing the services quality and customer satisfaction, optimising the standardised operating system of the elderly-care business and striving to improve operational efficiency. Meanwhile, the Group will steadily develop new projects, integrate premium domestic and foreign resources of medical service and elderly care, and create a multi-faceted and multi-levels model with combination of medical care and elderly care. Concerning the long-term leasing business, the Group will speed up the leasing business through multi-platforms, multi-channels and multi-dimension, and improve the ability in project expansion, cost control, operation and team organisation. It will also focus on advancing the asset-light strategy of long-term rental apartment to boost steady business development. In addition to developing the "Properties+" business, the Group will steadily promote businesses such as "+ industries", "+towns" and combine premium educational resources of the Greater Bay Area to support the business development of "+ education".

ACKNOWLEDGEMENT

The year 2020 marks the accomplishment of the strategic planning of "13th Five-Year" for the Group. Control policy direction of the property market is clear with focus an stability. Pursuing the aim of achieving high-quality and steady development, the Group will endeavour to realise stable growth in various businesses and operating results on a continuous basis with firm confidence and hard work. Meanwhile the Group will constantly strive to improve the rate of return on capital of shareholders and shareholders' value. With respect to the Group's achievement in remarkable results and development of various businesses, 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 2019, the Group realised revenue of approximately RMB38.34 billion (2018: RMB26.43 billion), representing a year-on-year increase of 45.0%. The gross profit was approximately RMB13.12 billion (2018: RMB8.39 billion), representing a year-on-year increase of 56.3%. and the gross profit margin reached approximately 34.2%, representing a year-on-year increase of 2.4 percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2019, profit attributable to equity holders of the Group was approximately RMB3.48 billion (2018: RMB2.73 billion), representing a year-on-year increase of 27.7%. The core net profit was approximately RMB3.51 billion (2018: RMB2.81 billion), representing a year-on-year increase of 24.8% and core net profit margin was approximately 9.2%.

CONTRACTED SALES

In 2019, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB72.11 billion, representing a year-on-year increase of 24.8% and accounted for 106.0% of the full year contracted sales target of RMB68.0 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 3.49 million sq.m., representing a year-on-year increase of 26.1%. The average selling price was approximately RMB20,700 per sq.m., flat on a year-on-year basis.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2019, the Greater Bay Area accounted for approximately 58.5%, Eastern China Region accounted for approximately 23.4%, Central China Region accounted for approximately 9.9%, Northern China Region accounted for approximately 7.8%, and Western China Region accounted for approximately 0.4%.

Greater Bay Area

The Group has already established operations in six cities including Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen and Zhongshan, within the Greater Bay Area. In 2019, with the official launch of the outline plan for Guangdong-Hong Kong-Macao Greater Bay Area, a number of policy optimizations was implemented in various cities in the Greater Bay, and the property market in those cities continued to develop steadily.

In the second half of 2019, regulation and control policies of the property market in Guangzhou were moderately relaxed, and both the sales value and volume of commodity residential housing in Guangzhou recorded year-on-year growths. The Group actively seized market opportunities to continuously strengthen its leading position in the property market of Guangzhou. In 2019, the contracted sales value of the Group in Guangzhou amounted to approximately RMB36.60 billion, representing a year-on-year increase of 21.2% while the average selling price was approximately RMB26,700 per sq.m., representing a year-on-year decrease of 7.6%.

Nansha District of Guangzhou, driven by the favorable policies and talent policies of the national free trade zone, remained active in property transactions in the property market. Based on the market developments, the Group further deepened its participation in Nanshan District. In 2019, the contracted sales value of the Group in Nansha amounted to approximately RMB10.52 billion, representing a year-on-year increase of 26.8%, while the average selling price was approximately RMB20,900 per sq.m., representing a year-on-year increase of 12.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

In line with the "Three Stabilities" basic policy of property market, the property market of Foshan, Zhongshan and Jiangmen in 2019 was steady overall, with the average selling price maintaining steady increase. In 2019, the contracted sales value of the Group in these three cities amounted to approximately RMB5.54 billion, representing a year-on-year increase of 24.2%, while the average selling price was approximately RMB14,600 per sq.m., representing a year-on-year increase of 36.4%.

Eastern China Region

The Group has already had business layout in three cities including Hangzhou, Suzhou, and Jiaxing within the Eastern China Region. Among them, Hangzhou and Suzhou, the key sales cities, still implemented stringent tightening policies on the property market in 2019, and the overall volume of transactions and the average selling price remained steady. In 2019, the contracted sales value of the Group in the Eastern China Region amounted to approximately RMB16.88 billion, representing a year-on-year increase of 31.5%, while the average selling price was approximately RMB22,100 per sq.m. representing a year-on-year increase of 5.2%.

Central China Region

In 2019, the Group's key cities for sales within Central China Region were Wuhan and Xiangyang. Regarding the benefits brought by the optimization of control measures, the overall volume of transactions in Wuhan and Xiangyang recorded a certain increase in 2019. In 2019, the contracted sales value of the Group in Central China Region amounted to approximately RMB7.17 billion, representing a year-on-year increase of 16.2%, while the average selling price was approximately RMB12,200 per sq.m., representing a year-on-year decrease of 34.4%.

Northern China Region

The Group has had business layout four cities in the Northern China Region including Shenyang, Qingdao, Ji'nan and Yantai. In 2019, the property market in the major sales cities of Shenyang, Ji'nan and Qingdao remained stable with steady rise in transaction price due to price stabilising policies. However, the property market of Yantai in 2019 tended to be rational with decreasing transaction volume overall due to stringent price control. In 2019, the contracted sales value of the Group in Northern China Region amounted to approximately RMB5.62 billion, representing a year-on-year increase of 36.8%, while the average selling price was approximately RMB16,000 per sq.m., representing a year-on-year increase of 40.4%.

Western China Region

The Group entered into Chengdu market for the first time and generated sales in 2019. Chengdu was selected as the pilot city of "One City, One Strategy" in 2019. The purchase and price restriction policies were relaxed, and the average selling price rose steadily, but the transaction volume recorded a slight decline. In 2019, the contracted sales value of the Group in Chendou amounted to approximately RMB0.30 billion, while the average selling price was approximately RMB7,700 per sq.m..

Contracted sales are summarised as follows:

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Haizhu Bay	83,400	2,979	35,700
2	Guangzhou Greenland Yuexiu Haiyue	22,300	1,156	51,800
3	Guangzhou Joy Bay	6,000	422	70,300
4	Guangzhou Starry Sky City	60,000	2,418	40,300
5	Guangzhou Purple Cloud Mansion	49,600	1,995	40,200
6	Guangzhou Park Avenue	76,600	3,756	49,000
7	Guangzhou Cullinan	37,500	1,550	41,300
8	Guangzhou Yue Infinity	9,900	321	32,400
9	Guangzhou Zhilian Automobile Town	152,300	2,549	16,700
10	Guangzhou Yue Melody	42,500	1,528	36,000
11	Guangzhou Yuexiu Poly Aite City	82,900	1,690	20,400
12	Nansha Southern Le Sand	118,300	2,582	21,800
13	Nansha Binhai New Town	281,900	5,274	18,700
14	Nansha Yuexiu East Hillside	67,100	1,642	24,500
15	Nansha Tianyu Square (previous name: Nansha Jinling North Land)	14,800	374	25,300
16	Nansha Joy Bay	8,800	278	31,600
17	Nansha The Willow Shores	11,600	367	31,600
18	Huadu Elegant Mansion	16,300	495	30,400
19	Huadu Magnificent Mansion	33,500	941	28,100
20	Huadu Royal Mansion	28,600	729	25,500
21	Guangzhou Yue Galaxy	126,300	3,227	25,600
22	Conghua Glade Village (previous name: Conghua Jiangpu Jiulibu Land)	700	11	15,700
23	Nanhai Starry Mansion	91,800	2,382	25,900
24	Foshan Lingnan Junting	21,900	262	12,000
25	Foshan Longfor Yuexiu Cloud	13,500	352	26,100
26	Jiangmen Starry Regal Court	65,400	496	7,600
27	Jiangmen Xijiang Mansion	6,500	71	10,900
28	Jiangmen Xijiang Joy Mansion	9,800	96	9,800
29	Jiangmen Yuexiu Binjiang Glorious City	83,500	1,021	12,200
30	Jiangmen Man Wah Mansion	41,200	390	9,500
31	Jiangmen Yuexiu Binjiang Enjoy City	6,400	64	10,000
32	Jiangmen Yuexiu Binjiang Grand City	9,600	107	11,100
33	Zhongshan Starry Peakfield	29,800	302	10,100
	Other projects	40,300	317	7,900
	Subtotal (Greater Bay Area)	**1,750,600**	**42,144**	**24,100**

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
34	Hangzhou Starry City	233,500	3,953	16,900
35	Hangzhou Garden 1872	58,000	2,317	39,900
36	Hangzhou Joy Bay	80,900	3,222	39,800
37	Hangzhou Lake & Mountain	92,500	1,554	16,800
38	Hangzhou Joy Mountain	42,700	884	20,700
39	Hangzhou Impressive City (previous name: Hangzhou Lin'an Jinnan New City Land)	7,700	126	16,400
40	Suzhou YueFu Mansion	84,300	2,097	24,900
41	Suzhou Joy Bay	36,000	809	22,500
42	Suzhou Taicang Never Land	121,100	1,867	15,400
43	Kunshan Paradiso Pavilion	6,300	50	7,900
	Subtotal (Eastern China Region)	**763,000**	**16,879**	**22,100**
44	Wuhan International Financial City	61,400	1,567	25,500
45	Wuhan Starry Emperor	4,700	57	12,100
46	Wuhan Hanyang Starry Winking	61,800	1,492	24,100
47	Wuhan Joy Mansion	49,600	436	8,800
48	Wuhan Elice Mansion	32,500	290	8,900
49	Wuhan Yuexiu Paradiso Garden	50,000	596	11,900
50	Wuhan Mansion	21,600	282	13,100
51	Xiangyang Starry City	297,900	2,356	7,900
52	Changsha Yue Lake Stage	6,500	94	14,500
	Subtotal (Central China Region)	**586,000**	**7,170**	**12,200**
53	Shenyang Starry Winking	187,900	3,620	19,300
54	Shenyang Hill Lake	17,900	156	8,700
55	Shenyang Starry Blue Sea	1,900	20	10,500
56	Qingdao Starry Blue Bay	8,000	51	6,400
57	Qingdao Jiaozhou Platinum Mansion	20,100	290	14,400
58	Qingdao Magnificent Bay	17,100	338	19,800
59	Qingdao Starry City (previous name: Qingdao Chengyang Shangma Land)	26,000	240	9,200
60	Ji'nan Baimai Delighted Mansion	46,400	481	10,400
61	Ji'nan Art Living	26,200	421	16,100
	Subtotal (Northern China Region)	**351,500**	**5,617**	**16,000**
62	Chengdu Glorious Mansion	39,400	304	7,700
	Subtotal (Western China Region)	**39,400**	**304**	**7,700**
	Total	**3,490,500**	**72,114**	**20,700**

RECOGNISED SALES

In 2019, the value of the recognised sales and GFA of the recognised sales were approximately RMB36.20 billion and 1.61 million sq.m., representing a year-on-year increase of 48.4% and decrease of 6.0%, respectively, and the average selling price was approximately RMB22,500 per sq.m..

Recognised sales are summarised as follows:

No.	Project	GFA *(sq.m.)*	Value *(RMB million)*	ASP *(RMB/sq.m.)*
1	Guangzhou Starry Cullinan	3,000	191	63,700
2	Guangzhou Starry Winking	700	21	30,000
3	Guangzhou Fortune Century Square	900	70	77,800
4	Guangzhou Starry Haizhu Bay	207,000	9,414	45,500
5	Guangzhou Greenland Yuexiu Haiyue	137,400	5,770	42,000
6	Guangzhou Starry Golden Sands	5,300	95	17,900
7	Guangzhou Starry Sky City	43,300	1,685	38,900
8	Guangzhou Starry Wenhua	1,100	34	30,900
9	Guangzhou Paradiso Riverside	4,300	59	13,700
10	Guangzhou Lingnan Hillside	900	10	11,100
11	Guangzhou Lingnan Villas	4,000	32	8,000
12	Nansha Southern Le Sand	123,600	2,459	19,900
13	Nansha Binhai New Town	213,100	3,401	16,000
14	Nansha Yuexiu East Hillside	29,000	623	21,500
15	Nanhai Starry Winking	5,300	85	16,000
16	Foshan Lingnan Junting	13,700	193	14,100
17	Foshan Paradiso Power	5,800	71	12,200
18	Jiangmen Starry Regal Court	33,800	257	7,600
19	Jiangmen Xijiang Joy Mansion	34,600	299	8,600
20	Jiangmen Starry Mountain	14,600	166	11,400
21	Heshan Starry Regal Court	58,300	456	7,800
22	Zhongshan Starry Peakfield	124,600	1,348	10,800
23	Zhongshan Paradiso Jadin	3,300	23	7,000
	Other projects	11,400	227	19,900
	Subtotal (Greater Bay Area)	**1,079,000**	**26,989**	**25,000**
24	Hangzhou Starry City	224,800	2,911	12,900
25	Hangzhou Joy Bay	86,900	2,961	34,100
26	Hangzhou Qinaili Lane	1,800	68	37,800
27	Suzhou Paradiso Pavilion	2,600	11	4,200
	Subtotal (Eastern China Region)	**316,100**	**5,951**	**18,800**

No.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
28	Wuhan International Financial City	20,600	1,372	66,600
29	Wuhan Starry Emperor	7,300	94	12,900
30	Wuhan Starry Mountain	6,200	260	41,900
31	Wuhan Yuexiu Paradiso Garden	52,800	560	10,600
	Subtotal (Central China Region)	**86,900**	**2,286**	**26,300**
32	Shenyang Starry Winking	6,100	99	16,200
33	Shenyang Hill Lake	7,400	60	8,100
34	Shenyang Starry Blue Sea	5,200	28	5,400
35	Yantai Starry Golden Sands	36,700	213	5,800
36	Yantai Starry Phoenix	2,300	16	6,900
37	Qingdao Starry Blue Bay	13,200	130	9,800
38	Qingdao Elegant Mansion	54,100	428	7,900
	Subtotal (Northern China Region)	**125,000**	**974**	**7,800**
	Total	**1,607,000**	**36,200**	**22,500**

UNRECOGNISED SALES

As at the end of 2019, the value of the unrecognised sales amounted to approximately RMB88.55 billion, and GFA of the unrecognised sales was approximately 4.39 million sq.m.. The average selling price was approximately RMB20,200 per sq.m..

LANDBANK

In 2019, the Group has newly acquired 27 land parcels mainly located in Guangzhou, Shenzhen, Zhongshan, Jiangmen, Hangzhou, Suzhou, Jiaxing, Zhengzhou, Changsha, Qingdao, and Chengdu, with total GFA of approximately 7.71 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 5.21 million sq.m..

In 2019, land parcels newly acquired are summarised as follows:

No.	Project	Equity holding	Total GFA *(sq.m.)*
1	Guangzhou Zhilian Automobile Town Project II	21.48%	315,100
2	Guangzhou Southern Intelligent Media Tower Project	48.69%	160,900
3	Nansha The Willow Shores	38.23%	140,500
4	Nansha China Resources Yuexiu Mansion	47.50%	147,000
5	Conghua Glade Village (previous name: Conghua Jiangpu Street Jiuli Land)	95.00%	213,600
6	Zengcheng Joy Mountain (previous name: Zengcheng Zhongxin Sanjing Land)	38.19%	94,700
7	Guangzhou Yue Galaxy	82.11%	1,355,300
8	Guangzhou Yue Melody	48.69%	911,900
9	Guangzhou Yue Infinity	48.69%	878,600
10	Shenzhen Majestic Mansion (previous name: Shenzhen Bao'an Jiangangshan Land)	9.55%	169,300
11	Zhongshan West District Caihong Land	95.00%	230,100
12	Jiangmen Man Wah Mansion	48.45%	83,000
13	Jiangmen Yuexiu Binjiang Enjoy City	47.50%	101,400
14	Jiangmen Yuexiu Binjiang Grand City	47.50%	164,500
15	Hangzhou Impressive City (previous name: Hangzhou Lin'an Jinnan New City Land)	100.00%	319,000
16	Hangzhou Yuexiu Present (previous name: Hangzhou Jianggan Niutian Land II)	95.00%	46,500
17	Hangzhou Manyun Mansion (previous name: Hangzhou Lin'an Binhu New City Land)	95.00%	75,200
18	Suzhou Xiangcheng Changwang Land	45.60%	142,200
19	Jiaxing Nanhu Yuxin Land	52.25%	224,300
20	Zhengzhou Elegant Mansion	95.00%	137,900
21	Changsha Yue Lake Stage	95.00%	130,600
22	Changsha Qinaili Lane	95.00%	132,400
23	Changsha Starry City	95.00%	714,200
24	Qingdao Starry City (previous name: Qingdao Chengyang Shangma Land)	100.00%	403,700
25	Qingdao Yue Mansion	100.00%	50,800
26	Chengdu Glorious Mansion	42.75%	296,900
27	Chengdu Qinaili Lane (previous name: Chengdu Qingbaijiang Land)	95.00%	66,200
	Total		**7,705,800**

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of 2019, the landbank of the Group reached approximately 23.87 million sq.m. with a total of 74 projects in 19 cities in China and the regional layout continued to improve.In terms of regional composition, Greater Bay Area accounted for approximately 51.7%, Eastern China Region accounted for approximately 15.8%, Central China Region accounted for approximately 18.9%, Northern China Region accounted for approximately 11.7%, Western China Region accounted for approximately 1.5% and other regions accounted for approximately 0.4%.

Landbank is summarised as follows:

No.	Project	Landbank GFA *(sq.m.)*	PUD GFA *(sq.m.)*	PFD GFA *(sq.m.)*
1	Asia Pacific Century Plaza	229,400	229,400	–
2	Guangzhou Starry Haizhu Bay	394,600	190,800	203,800
3	Guangzhou Joy Bay	154,600	154,600	–
4	Guangzhou Starry Sky City	574,200	574,200	–
5	Guangzhou Park Avenue	272,300	272,300	–
6	Guangzhou Cullinan	382,100	382,100	–
7	Guangzhou Yue Infinity	878,600	70,700	807,900
8	Guangzhou Panyu GAC Automobile Town	833,400	833,400	–
9	Guangzhou Southern Intelligent Media Tower Project	160,900	160,900	–
10	Guangzhou Yue Melody	911,900	533,900	378,000
11	Guangzhou Yuexiu Poly Aite City	162,000	162,000	–
12	Nansha Southern Le Sand	864,300	447,200	417,100
13	Nansha Binhai New Town	701,300	695,200	6,100
14	Nansha Yuexiu East Hillside	123,900	123,900	–
15	Nansha Tianyu Square (previous name: Nansha Jinling North Land)	134,500	134,500	–
16	Nansha International Financial Center (previous name: Nansha Lingshan Island Land I)	220,800	220,800	–
17	Nansha Joy Bay	410,100	174,100	236,000
18	Nansha Jinmao Bay	130,200	130,200	–
19	Nansha The Willow Shores	140,500	140,500	–
20	Nansha China Resources Yuexiu Mansion	147,000	147,000	–
21	Huadu Elegant Mansion	222,600	222,600	–
22	Huadu Magnificent Mansion	296,100	296,100	–
23	Huadu Royal Mansion	187,100	187,100	–
24	Guangzhou Yue Galaxy	1,355,300	530,100	825,200
25	Zengcheng Joy Mountain (previous name： Zengcheng Zhongxin Sanjing Land)	94,700	94,700	–
26	Conghua Glade Village (previous name: Conghua Jiangpu Street Jiuli Land)	213,600	136,100	77,500

No.	Project	Landbank GFA *(sq.m.)*	PUD GFA *(sq.m.)*	PFD GFA *(sq.m.)*
27	Shenzhen Majestic Mansion (previous name: Shenzhen Bao'an Jiangangshan Land)	169,300	169,300	–
28	Nanhai Starry Mansion	567,300	436,500	130,800
29	Foshan Lingnan Junting	17,600	17,600	–
30	Foshan Longfor Yuexiu Cloud	76,300	76,300	–
31	Jiangmen Yuexiu Binjiang Glorious City	350,100	350,100	–
32	Jiangmen Man Wah Mansion	83,000	83,000	–
33	Jiangmen Yuexiu Binjiang Enjoy City	101,400	101,400	–
34	Jiangmen Yuexiu Binjiang Grand City	164,500	164,500	–
35	Heshan Starry Regal Court	264,900	264,900	–
36	Zhongshan West District Caihong Land	230,100	230,100	–
37	Hong Kong Yau Tong Project	72,100	–	72,100
	Other projects	50,100	8,900	41,200
	Subtotal (Greater Bay Area)	**12,342,700**	**9,147,000**	**3,195,700**
38	Hangzhou Starry City	901,800	435,800	466,000
39	Hangzhou Garden 1872	230,300	230,300	–
40	Hangzhou Joy Bay	173,500	173,500	–
41	Hangzhou Lake & Mountain	224,800	224,800	–
42	Hangzhou Joy Mountain	225,000	225,000	–
43	Hangzhou Impressive City (previous name: Hangzhou Lin'an Jinnan New City Land)	319,000	319,000	–
44	Hangzhou Yue Present (previous name: Hangzhou Jianggan Niutian Land II)	46,500	46,500	–
45	Hangzhou Manyun Mansion (previous name: Hangzhou Lin'an Binhu New City Land)	75,200	75,200	–
46	Suzhou YueFu Mansion	210,400	210,400	–
47	Suzhou Joy Bay	116,300	116,300	–
48	Suzhou Taicang Never Land	866,700	240,500	626,200
49	Suzhou Xiangcheng Changwang Land	142,200	–	142,200
50	Jiaxing Nanhu Yuxin Land	224,300	–	224,300
	Subtotal (Eastern China Region)	**3,756,000**	**2,297,300**	**1,458,700**

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
51	Wuhan International Financial City	573,100	573,100	–
52	Wuhan Hanyang Starry Winking	1,143,500	866,400	277,100
53	Wuhan Yuexiu Paradiso Mansion	42,200	42,200	–
54	Wuhan Joy Mansion	97,400	97,400	–
55	Wuhan Elite Mansion	78,000	78,000	–
56	Wuhan Yuexiu Paradiso Garden	143,300	143,300	–
57	Wuhan Mansion	231,500	231,500	–
58	Xiangyang Starry City	1,078,000	694,000	384,000
59	Zhengzhou Elegant Mansion	137,900	137,900	–
60	Changsha Yue Lake Stage	130,600	130,600	–
61	Changsha Qinaili Lane	132,400	132,400	–
62	Changsha Starry City	714,200	–	714,200
	Subtotal (Central China Region)	**4,502,100**	**3,126,800**	**1,375,300**
63	Shenyang Starry Winking	371,400	353,000	18,400
64	Shenyang Hill Lake	270,200	–	270,200
65	Qingdao Magnificent Bay	213,300	175,800	37,500
66	Qingdao Licang Qingyin Highway East Land	666,300	–	666,300
67	Qingdao Jiaozhou Platinum Mansion	209,100	209,100	–
68	Qingdao Yue Mansion	50,800	–	50,800
69	Qingdao Starry City (previous name: Qingdao Chengyang Shangma Land)	403,700	176,900	226,800
70	Ji'nan Baimai Delighted Mansion	565,400	565,400	–
71	Ji'nan Art Living	52,600	52,600	–
	Subtotal (Northern China Region)	**2,802,800**	**1,532,800**	**1,270,000**
72	Chengdu Glorious Mansion	296,900	296,900	–
73	Chengdu Qinaili Lane (previous name: Chengdu Qingbaijiang Land)	66,200	66,200	–
	Subtotal (Western China Region)	**363,100**	**363,100**	**–**
74	Haikou Simapo Island Project	100,500	–	100,500
	Total	**23,867,200**	**16,467,000**	**7,400,200**

CONSTRUCTION PROGRESS

The Group strived to accelerate development efficiency and turnover rate. During the year, project development, new commencement of construction and completion were in line with the Group's schedule.

New commencement of construction and completion projects are summarized as follows:

Construction progress	2019 Actual GFA *(sq.m.)*	2020 Planned GFA *(sq.m.)*
New commencement of construction	6,899,700	6,954,700
Completion	3,040,300	5,511,700

INVESTMENT PROPERTIES

As at 31 December 2019, the Group owned investment properties under lease of approximately 453,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 57.3%, 24.8% and 17.9%, respectively. The Group recorded rental revenue of approximately RMB690 million in 2019, representing an increase of 0.7% year on year.

In 2019, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB23 million, flat with the valuation on investment properties at the beginning of the period.

OTHER GAINS, NET

In 2019, the Group's other gains, net amounted to approximately RMB799 million, representing a decrease of 23.1% on a year-on-year basis. Other gains, net for the year of 2019 mainly included remeasurement gains on interests in a joint venture before tax of approximately RMB766 million.

SELLING AND MARKETING COSTS

In 2019, the Group's selling and marketing costs were approximately RMB1.00 billion, representing an increase of 53.7% year on year, mainly due to the increase of the revenue carried forward during the period. Selling and marketing cost accounted for 2.6% of the revenue for the year, which was in line with that of last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately RMB1.23 billion, representing an increase of 18.1% year on year. The administrative expenses accounted for 3.2% of the operating revenue for the year, down by 0.8 percentage point from 4.0% for last year. The Group continued to strengthen control over expenses and strictly followed the annual expenses budget.

FINANCE COSTS

The finance costs of the Group amounted to approximately RMB1.16 billion, representing a decrease of 42.0% from RMB2.00 billion for 2018. The decrease was mainly due to the improvement in the overall construction turnover rate of the Group's projects during the year, which led an increase of interest on capitalization by 55%.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In 2019, the overall net contribution from associated entities attributable to the Group was approximately RMB486 million, representing an increase of 8.9% on a year-on-year basis, which was mainly due to the profit contribution from Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In 2019, the total distributable amount of Yuexiu REIT amounted to approximately RMB761 million, representing a decrease of 10.4% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB290 million.

BASIC EARNINGS PER SHARE

In 2019, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB0.2410 (2018: RMB0.2200).

FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2019 of HKD0.049 per share which is equivalent to RMB0.044 per share (2018: HKD0.051 per share which was equivalent to RMB0.044 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 6 June 2020. 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 2020. Together with the interim dividend of HKD0.053 per share which was equivalent to approximately RMB0.047 per share, total dividends for the year ended 31 December 2019 will amount to HKD0.102 per share which is equivalent to approximately RMB0.091 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the Group's main sources of liquidity. The Group has always adhered to prudent financial management principles, emphasised on funding management and risk control, established an ongoing monitoring system to respond to market changes, ensured healthy and adequate liquidity and secured the business development. While continuing to maintain a good relationship with commercial banks in Mainland China and Hong Kong, the Group also explores other 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 2019, the Group obtained new borrowings of approximately RMB37.5 billion, including onshore borrowings of approximately RMB30.0 billion and offshore borrowings of approximately RMB7.5 billion. As at 31 December 2019, total borrowings amounted to approximately RMB71.02 billion (31 December 2018: RMB53.41 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB30.19 billion, and the net gearing ratio was 74.0%. Borrowings due within one year accounted for approximately 10% of the total borrowings (31 December 2018: 11%); fixed-rate borrowings accounted for approximately 57.7% of the total borrowings (31 December 2018: 57%). The Group's average effective borrowing interest rate for the year increased by 11 bpts to 4.93% per annum from 4.82% per annum for 2018.

As at 31 December 2019, among the Group's total borrowings, approximately 46% was RMB denominated bank borrowings and other borrowings (31 December 2018: 45%), 9% was Hong Kong dollar denominated bank borrowings (31 December 2018: 10%), 21% was Hong Kong dollar and US dollar denominated medium to long term notes (31 December 2018: 25%), 24% was RMB denominated medium to long term notes (31 December 2018: 20%).

WORKING CAPITAL

As at 31 December 2019, the Group's working capital (current assets less current liabilities) amounted to approximately RMB78.14 billion (31 December 2018: approximately RMB61.01 billion). The Group's current ratio (current assets divided by current liabilities) was 1.7 times (31 December 2018: 1.8 times). Cash and cash equivalents amounted to approximately RMB24.11 billion (31 December 2018: RMB21.99 billion). Charged bank deposits amounted to approximately RMB6.08 billion (31 December 2018: RMB5.17 billion). Undrawn committed bank facilities amounted to approximately RMB21.32 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

	As at	
	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank borrowings and notes		
Denominated in RMB	**49,621,641**	34,657,300
Denominated in HKD	**9,583,648**	7,144,488
Denominated in USD	**11,816,326**	11,604,151
Total bank borrowings and notes	**71,021,615**	53,405,939
Finance lease obligations	**–**	109
Bank overdrafts	**41**	57
Total debts	**71,021,656**	53,406,105

	As at 31 December 2019 RMB'000	31 December 2018 RMB'000
Ageing analysis:		
Within one year	**7,138,023**	5,786,145
In the second year	**20,270,167**	8,461,171
In the third to fifth year	**39,387,355**	31,380,146
Beyond five years	**4,226,111**	7,778,643
Total borrowings	**71,021,656**	53,406,105
Lease liabilities	**678,207**	–
Less: Cash and cash equivalents	**(24,105,541)**	(21,990,512)
Net borrowings	**47,594,322**	31,415,593
Total equity	**55,191,816**	42,911,718
Total capitalisation	**102,786,138**	74,327,311
Gearing ratio	**46.3%**	42.3%

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 2019, among the total borrowings of the Group, approximately 33.1% was floating rate bank loans denominated in Renminbi, approximately 9.2% was floating rate bank loans denominated in Hong Kong dollars, approximately 13.3% was fixed rate bank loans denominated in Renminbi, approximately 23.5% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 20.9% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars, in aggregate, fixed rate borrowings accounted for approximately 57.7% of the total borrowings of the Group.

At present, the ratio of floating-fixed rate borrowings of the Group is relatively reasonable with the overall interest rate risk that is controllable. The Group did not arrange interest-rate hedging instruments during the reporting year. The average borrowings interest rate during the year was approximately 4.93% per annum, increased by 11 basis points from 4.82% per annum for the year of 2018.

With respect to Renminbi borrowing 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 actual market interest rate has seen a relatively huge increase as liquidity is tightening in China, and the PBOC reduced RRR for targeted release of liquidity thereafter. Although the RRR reduction and liquidity release was carried out in a full and targeted manner again in the first half of 2019, the actual onshore Renminbi borrowing interest rates has decreased. But there are restrictions and more policy constraints on financing for industries, resulting in a slight increase in the average interest rate on real estate borrowings.

With respect to interest rates on US dollar and Hong Kong dollar borrowings, due to a stable economic growth in the United States, the Federal Reserve has raised interest rates nine times from December 2015 to the end of 2018. The Federal Reserve raised interest rates four times within 2018, with an accumulated increase rate of approximately 1%. Due to the influence intensified by the continuous US-China trade war, Brexit and slow growth in US economy, the Federal Reserve stopped raising interest rates in 2019 and cut them three times in July, September and October of 2019 with a total rate cut of approximately 0.75%. On 3 March 2020, the US Federal Reserve emergently cut 0.5% interest rate as affected by the novel coronavirus. The market expects that the US Federal Reserve may further cut interest rates or implement quantitative easing polices. Hong Kong interest rates remained at a high level due to social events in Hong Kong, the large number of offerings and increased economic uncertainty in 2019. The Group expects the offshore US dollar/Hong Kong dollar loan interest rates to maintain the current level or slightly drop. The Group will continue to monitor the changes in onshore and offshore interest rates, adjust and optimize its debt structure and adopt appropriate financial instruments to manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE RISK

Since the main business operations of the Group are conducted in Mainland China, its income and assets are 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 the foreign exchange exposure. As at 31 December 2019, approximately 30% (35% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, approximately HKD7.32 billion (equivalent to approximately RMB6.56 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB11.82 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD3.40 billion (equivalent to approximately RMB3.03 billion) was notes denominated in Hong Kong dollars. Hedging products were purchased to manage part of foreign exchange exposures with respect to offshore borrowings (equivalent to RMB9.27 billion).

In 2020, the exchange rate of Renminbi is expected to remain fluctuated due to a mixture of challenges caused by the US-China trade war, the expectation of US interest rate cuts, the slow growth in Chinese economy, and the novel coronavirus outbreak. The Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign exchange exposure. The Group has used suitable financial instruments at reasonable costs to manage its foreign exchange exposure. The Group is expected to continue to arrange for appropriate products to manage its foreign exchange exposure in 2020.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB726 million (31 December 2018: RMB798 million).

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 2019, the total contingent liabilities relating to these guarantees amounted to approximately RMB20.09 billion (31 December 2018: RMB13.69 billion).

As at 31 December 2019, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB2,035 million (31 December 2018: RMB2,130 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,007 million was utilised and guarantee of approximately RMB1,028 million was not utilised yet.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 10,100 employees (30 June 2019: 8,450 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.

PROPERTY DEVELOPMENT

REGION		GFA (sq.m.)
Greater Bay Area	**51.7%**	**12,342,700**
Guangzhou		10,246,100
Shenzhen		169,300
Foshan		661,200
Jiangmen		963,900
Zhongshan		230,100
Hong Kong		72,100
Eastern China Region	**15.8%**	**3,756,000**
Hangzhou		2,196,100
Suzhou		1,335,600
Jiaxing		224,300
Central China Region	**18.9%**	**4,502,100**
Wuhan		2,309,000
Xiangyang		1,078,000
Zhengzhou		137,900
Changsha		977,200
Northern China Region	**11.7%**	**2,802,800**
Qingdao		1,543,200
Shengyang		641,600
Ji'nan		618,000
Western China Region	**1.5%**	**363,100**
Chengdu		363,100
Hainan	**0.4%**	**100,500**
Haikou		100,500
Total	**100.0%**	**23,867,200**

DEVELOPMENT STAGE	GFA (sq.m.)
PUD	16,467,000
PFD	7,400,200
Total	**23,867,200**

PROPERTY DEVELOPMENT

GREATER BAY AREA

GUANGZHOU ASIA PACIFIC CENTURY PLAZA

Landbank GFA: 229,400 sq.m.

GUANGZHOU YUEXIU FINANCIAL TOWER

Landbank GFA: 211,500 sq.m.

NANSHA JOY BAY

Landbank GFA: 410,100 sq.m.

PROPERTY DEVELOPMENT

GUANGZHOU YUE GALAXY

Landbank GFA: 1,355,300 sq.m.

GUANGZHOU YUE MELODY

Landbank GFA: 911,900 sq.m.

GUANGZHOU YUE INFINITY

Landbank GFA: 878,600 sq.m.

GREATER BAY AREA

HUADU ELEGANT MANSION

Landbank GFA: 222,600 sq.m.

CONGHUA GLADE VILLAGE

Landbank GFA: 213,600 sq.m.

SHENZHEN MAJESTIC MANSION

Landbank GFA: 169,300 sq.m.

PROPERTY DEVELOPMENT

NANHAI STARRY MANSION

Landbank GFA: 567,300 sq.m.

JIANGMEN YUEXIU BINJIANG GLORIOUS CITY

Landbank GFA: 350,100 sq.m.

HESHAN STARRY REGAL COURT

Landbank GFA: 264,900 sq.m.

EASTERN CHINA REGION

HANGZHOU JOY BAY

Landbank GFA: 173,500 sq.m.

HANGZHOU IMPRESSIVE CITY

Landbank GFA: 319,000 sq.m.

HANGZHOU NEW BAND MANSION

Landbank GFA: 122,900 sq.m.

PROPERTY DEVELOPMENT

HANGZHOU YUE PRESENT

Landbank GFA: 46,500 sq.m.

SUZHOU YUEFU MANSION

Landbank GFA: 210,400 sq.m.

SUZHOU TAICANG NEVER LAND

Landbank GFA: 866,700 sq.m.

CENTRAL CHINA REGION

WUHAN INTERNATIONAL FINANCIAL CITY

Landbank GFA: 573,100 sq.m.

WUHAN HANYANG STARRY WINKING

Landbank GFA: 1,143,500 sq.m.

XIANGYANG STARRY CITY

Landbank GFA: 1,078,000 sq.m.

PROPERTY DEVELOPMENT

ZHENGZHOU ELEGANT MANSION

Landbank GFA: 137,900 sq.m.

CHANGSHA YUE LAKE STAGE

Landbank GFA: 130,600 sq.m.

CHANGSHA QINAILI LANE

Landbank GFA: 132,400 sq.m.

NORTHERN AND WESTERN CHINA REGION

SHENYANG STARRY WINKING

Landbank GFA: 371,400 sq.m.

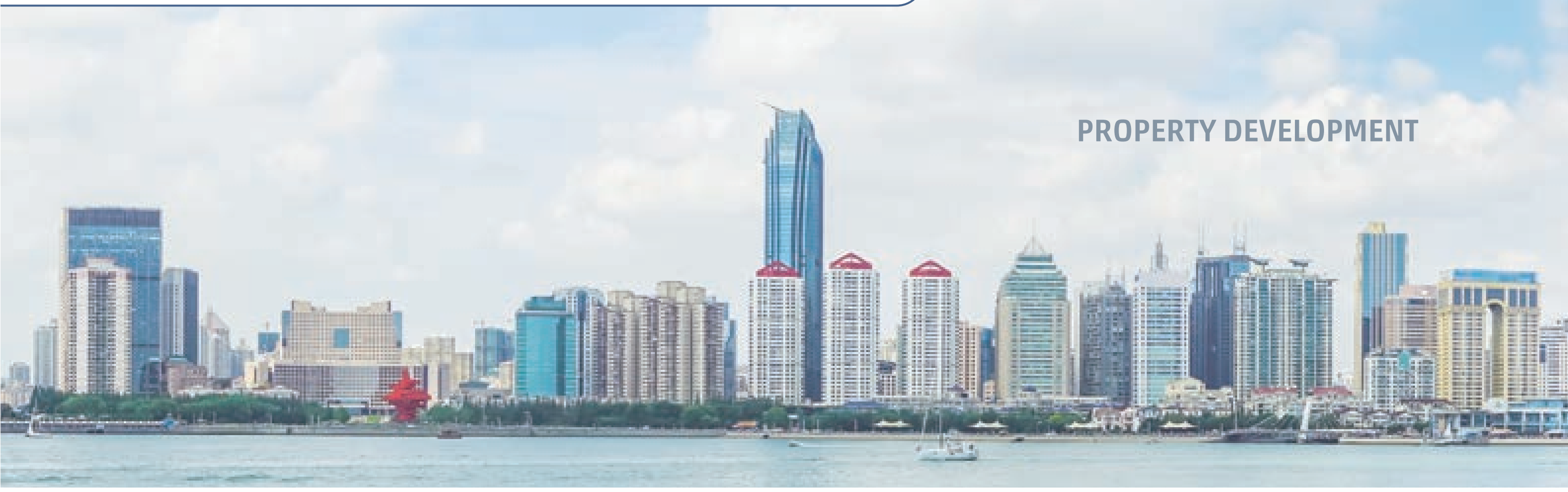
QINGDAO JIAOZHOU PLATINUM MANSION

Landbank GFA: 209,100 sq.m.

QINGDAO STARRY CITY

Landbank GFA: 403,700 sq.m.

PROPERTY DEVELOPMENT



JI'NAN BAIMAI DELIGHTED MANSION

Landbank GFA: 565,400 sq.m.

CHENGDU GLORIOUS MANSION

Landbank GFA: 296,900 sq.m.

CHENGDU QINAILI LANE

Landbank GFA: 66,200 sq.m.

INVESTOR RELATIONS REPORT

The Group attaches great importance to two-way communication with investors. It listens to investors while delivering information to them. And the Group, on the premise of complying with the laws and regulations of listed companies, maintained good interactions with investors in 2019, effectively enhancing investor relationship management.

As for information disclosure, the Group has proactively issued announcements for unaudited monthly sales and land acquisition data and optimized the contents of its interim and annual reports, announcements, press releases and results presentations to continuously improve the transparency of information disclosure.

In terms of investor communication, the Group actively organizes and participates in a variety of investor relations activities. In addition to organizing results announcement conferences, analyst briefings and attending conferences organized by investment bank, it also establishes a platform for investors to communicate directly with the Group's managements and investor relations team. The Group helps investors understand its development strategy and latest trends through reverse roadshows, one-on-one meetings, conference calls and site visits, while the managements can listen to opinions and suggestions of different investors.

The Group is committed to promoting the quality of investor communication, timely and accurately conveying investor feedbacks to the managements as well as analyzing them, in order to accelerate the Group's development and create greater value for investors.

INVESTOR RELATIONS REPORT

2019 MAJOR INVESTOR RELATIONS ACTIVITIES

Month	Venue	Activity
February	Hong Kong	Yuexiu Property 2018 Annual Results Announcement Conference
February	Hong Kong	Yuexiu Property 2018 Annual Results NDR
March	Singapore	Yuexiu Property 2018 Annual Results NDR
April	Hong Kong	Yuexiu Property General Meeting
May	Shanghai	Yuexiu Property 2018 Annual Results NDR
May	Beijing	Yuexiu Property 2018 Annual Results NDR
May	Hong Kong	Yuexiu Property Annual General Meeting
June	Hong Kong	Citi Asia Pacific Property Conference
July	Guangzhou	Yuexiu Property "Railway + Property" Projects Site Visit
August	Hong Kong	Yuexiu Property 2019 Interim Results Announcement Conference
August	Hong Kong	Yuexiu Property 2019 Interim Results NDR
September	Shenzhen	Yuexiu Property 2019 Interim Results NDR
September	Beijing	Yuexiu Property 2019 Interim Results NDR
September	Singapore	Yuexiu Property 2019 Interim Results NDR
October	Hong Kong	Yuexiu Property General Meeting
November	Macao	Citi China Investor Conference 2019
November	Guangzhou	Yuexiu Property "Railway + Property" Projects Site Visit

AWARDS AND RECOGNITIONS

China Property Award of Supreme Excellence 2019

Organizing Committee of China Property Award of Supreme Excellence

Listed Company Awards of Excellence 2019

Hong Kong Economic Journal

Ranked as 5th for Property Companies in terms of Comprehensive Strength in Guangdong-Hong Kong-Macao Greater Bay Area 2019

Top 10 Best Real Estate Companies in Guangdong-Hong Kong-Macao Greater Bay Area 2019

China Index Academy Limited

Good Quality Enterprise for Good Life 2019

LEJU

China Listed Property Company Social Responsibility Award 2019

Gelonghui

The Group's Annual Report for the Year of 2018 Was Awarded:

2019 International ARC Awards – Honors

IADA Award 2019 – Silver Winner – Printed version – Traditional format – Real Estate Development Cover Design

Property Enterprise of the year in terms of Comprehensive Strength 2019

Leading Property Service Enterprise 2019

21st Century Media

China Real Estate Trend Awards: Top 30 China's Most Influential Property Enterprise 2019

Boao Real Estate Forum/Guandian Index Academy

City Operator of the Year 2019

China Business Journal

Jincai Award: Top 100 China's Leading Property Enterprises with Good Faith in Supply Chain Cooperation 2019

Chinese Real Estate Industry Association

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Lin Zhaoyuan, aged 50, 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 Holdings 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 49, 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, 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, customer resource management and synergy, and business operation within Bay West, railway transit development of Greater Bay Area, Chengdu and Hainan companies. He has also participated in various major capital operation and financing projects of the Company with extensive experience in enterprise investment decision making and financing management.

Mr Li Feng, aged 51, 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, chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"); 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), Chairman and 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; 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) and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. 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, member of Guangzhou Housing Provident Fund Management Committee, 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, general manager of capital department, assistant manager of corporate management department, assistant to general manager of supervision and auditing 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 48, 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, a director of Guangzhou Flagship Development Group Co., Ltd ("GZ Flagship"), 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, the general manager of the audit department and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. 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 41, 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, Guangzhou Paper Group Limited and GZ Flagship. 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.

NON-EXECUTIVE DIRECTOR

Mr Ouyang Changcheng, aged 50, was appointed non-executive director of the Company in July 2019. Mr Ouyang currently serves as the Chief Planner of Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司) ("Guangzhou Metro"). Mr Ouyang holds a bachelor degree in engineering and a master degree in engineering from Southwest Jiaotong University. Mr Ouyang had served in various different positions, including as the deputy general engineer of Guangzhou Metro, the deputy general engineer of Guangzhou Metro Corporation (廣州市地下鐵道總公司), and the director of the Planning & Reserve Center directly under Guangzhou Metro. Mr Ouyang has strong communication and coordination and business expansion capabilities and extensive experiences in corporate operation and management. Mr Ouyang has been engaged in the planning of urban rail transit networks of Guangzhou. He is familiar with urban development planning and has strong integration and coordination capabilities in project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 72, 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 65, 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 72, 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 and Joy City Property Limited (Stock Code: 207). 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, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

CORPORATE GOVERNANCE REPORT

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

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

Throughout the year ended 31 December 2019, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which are explained below.

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

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

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

THE BOARD

Responsibilities

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

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised five executive directors, one non-executive director and three independent non-executive directors during the year ended 31 December 2019.

For a list of directors during the year ended 31 December 2019 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 2019, 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.

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 analysis of financial trends, development of Hong Kong's anti-money laundering regulations, overview of anti-corruption and prevention of bribery in Hong Kong and duties of Directors in corporate acquisitions and disposals. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/ Briefings
Executive Directors		
Lin Zhaoyuan	√	√
Lin Feng	√	√
Li Feng	√	√
Chen Jing	√	√
Liu Yan	√	√
Non-Executive Director		
Ouyang Changcheng (appointed with effect from 23 July 2019)	√	√
Independent Non-Executive Directors		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

Board Meetings

Number of Meetings and Directors' Attendance

In year 2019, the Board held 4 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
Executive Directors			
Lin Zhaoyuan	**4/4**	1/1	3/3
Lin Feng	**4/4**	1/1	3/3
Li Feng	**2/4**	0/1	0/3
Chen Jing	**4/4**	1/1	3/3
Liu Yan	**3/4**	1/1	1/3
Non-Executive Director			
Ouyang Changcheng (appointed with effect from 23 July 2019)	**2/2**	N/A	2/2
Independent Non-Executive Directors			
Yu Lup Fat Joseph	**4/4**	1/1	3/3
Lee Ka Lun	**4/4**	1/1	3/3
Lau Hon Chuen Ambrose	**4/4**	1/1	3/3

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the chairman is held by Mr Lin Zhaoyuan while the position of General Manager is held by Mr Lin Feng.

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.

The Audit Committee held two meetings during the year ended 31 December 2019 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

Remuneration Committee

The Remuneration Committee comprises 3 independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and one executive director, namely Mr 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:

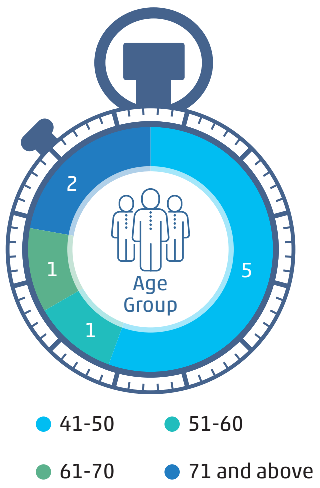
Members	Meeting Attended
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**
Executive Director	
Lin Zhaoyuan	**1/1**

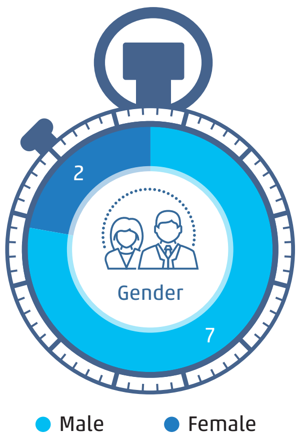
One meeting was held in 2019 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review and the remuneration of newly appointed executive directors.

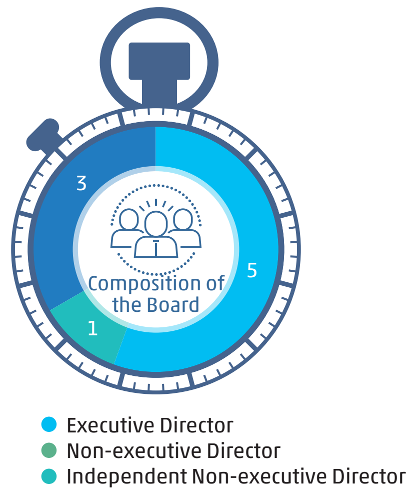
Nomination Committee

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 9 directors, two of whom are females. Five executive directors are experienced in finance, accounting, capital operations, real estate development, human resource management and operation management, one non-executive director 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.







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. Recommendation will be made to the Board based on meritocracy and 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
Executive Directors	
Lin Zhaoyuan	**1/1**
Li Feng	**1/1**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**

The Nomination Committee held one meeting during the year ended 31 December 2019 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 2019.

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

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is 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 2019, 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 2019.

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 2019 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.

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 2019, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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 2019, 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 2019.

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 198 to 216.

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 90.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2019. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.053 equivalent to RMB0.047 per ordinary share paid on 18 November 2019	738,513
Proposed final dividend of HKD0.049 equivalent to RMB0.044 per ordinary share	681,220
	1,419,733

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, 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 28 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 22 May 2020.

In addition, the register of members of the Company will be closed from Thursday, 4 June 2020 to Friday, 5 June 2020, 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 Wednesday, 3 June 2020.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB3.37 million.

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2019 and the possible 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 RMB2,787 million (2018: RMB1,793 million).

DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB1,136 million (2018: RMB962 million).

DIRECTORS

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

Mr Lin Zhaoyuan
Mr Lin Feng
Mr Li Feng
Ms Chen Jing
Ms Liu Yan
Mr Mao Jianhua[1] (appointed with effect from 6 June 2019 and resigned with effect from 23 July 2019)
Mr Ouyang Changcheng[1] (appointed with effect from 23 July 2019)
Mr Yu Lup Fat Joseph[2]
Mr Lee Ka Lun[2]
Mr Lau Hon Chuen Ambrose[2]

1 *Non-executive Directors*
2 *Independent non-executive Directors*

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

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Li Feng, Ms Chen Jing and Mr Yu Lup Fat Joseph will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, all offer themselves for re-election.

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.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	On 29 October 2014, the Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HKD300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019	The aggregate balance of bank deposits amounted to RMB2,100,191,184 as at 31 December 2019 The highest daily aggregate amount of bank deposits during the year ended 31 December 2019 amounted to RMB5,938,605,663.32

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
			The Company entered into another 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 The Company entered into another bank deposits master agreement with Chong Hing Bank on 23 September 2019 ("2020 Bank Deposits Agreement") to renew the term of the 2017 Bank Deposits Agreement, 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 RMB8,500 million, RMB10,000 million and RMB12,000 million for the years ending 31 December 2020, 2021 and 2022, respectively	

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
30 November 2015	廣州越秀集團股份有限公司 (formerly known as "廣州越秀集團有限公司") (Guangzhou Yue Xiu Holdings Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 ("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), 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 RMB49,000,000, RMB72,000,000 and RMB75,000,000 for the years ending 31 December 2016, 2017 and 2018 respectively 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	RMB41,037,678

REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
21 August 2019	Chong Hing Bank	A fellow subsidiary	The Company entered into a foreign exchange framework agreement with Chong Hing Bank, pursuant to which the Group may enter into spot contracts and forward contracts with the Chong Hing Bank group during the term of 3 years commencing from 1 January 2019. With respect to the spot contracts for the years ending 31 December 2019, 2020 and 2021, the aggregate amount of the Spread of those spot contracts are subject to the annual caps of HKD12,000,000, HKD14,300,000 and HKD17,200,000, respectively. With respect to the forward contracts for the years ending 31 December 2019, 2020 and 2021, the aggregate amount of hedging cost of those forward contracts are subject to the annual caps of HKD51,000,000, HKD61,000,000 and HKD74,000,000 for the years ending 31 December 2019, 2020 and 2021, respectively	Total Spread of Spot Contract: HKD295,892.50 Total Hedging Cost of Forward Contract: HKD8,709,709.64
22 January 2018	Guangzhou Yue Xiu	The ultimate holding company of the Company	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) 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	RMB15,603,468

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 27 February 2019, 廣州雲湖房地產開發有限公司(Guangzhou Yunhu Real Estate Development Co., Ltd.*), a subsidiary of the Company, entered into a set of agreements to acquire an aggregate of 86% of the equity interest in 廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited*) ("Target Company") together with the relevant interests in loans in the Target Company and the Target Company's holding company from Easyway Incorporation Limited, a wholly-owned subsidiary of Guangzhou Yue Xiu, and 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*), respectively. The total amount payable for the acquisition was approximately RMB14,082 million. Guangzhou Yue Xiu wholly owns Yue Xiu (the controlling shareholder of the Company) and is therefore a connected person of the Company.

On 2 August 2019, 廣州越秀海樾薈健康管理有限公司(Guangzhou Yuexiu Haiyuehui Health Management Co., Ltd.*), a subsidiary of the Company, entered into the lease agreement with 廣州越展資產經營管理有限公司 (Guangzhou Yuezhan Asset Management Co., Ltd.*) ("Guangzhou Yuezhan") in relation to the leasing of the properties located in Liwan District of Guangzhou for a term of 12 years for the development of elderly-care business of the Group. Each of Guangzhou Yuezhan and the landlord of the Lease Properties is a connected person of the Company as they are both subsidiaries of Guangzhou Yue Xiu.

On 10 September 2019, 廣州城建開發南沙房地產有限公司(Guangzhou City Construction & Development Group Nansha Co., Ltd.*), an indirect non wholly-owned subsidiary of the Company, has entered into the transaction documents with Easyway Incorporation Limited, a wholly-owned subsidiary of Guangzhou Yue Xiu, to acquire 51% of the equity interests in 廣州市品薈房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited*) and 廣州市品悦房地產開發有限公司(Guangzhou City Pinyue Property Development Company Limited*) together with the relevant interests in loans. The total acquisition amounts payable for the two acquisitions was approximately RMB8,876 million in total. Guangzhou Yue Xiu wholly owns Yue Xiu, the controlling shareholder of the Company, and is therefore a connected person of the Company.

On 31 October 2019, the Company entered into the foreign exchange forward contract with Yue Xiu to purchase USD in the amount of US$400 million with RMB on the terms stated therein, with a view to managing the Group's foreign exchange exposure in relation to the US$400 million 5.373% guaranteed notes due on 19 October 2023. As Yue Xiu is the controlling shareholder of the Company, it is a connected person of the Company.

On 9 December 2019, 廣州越秀海頤苑健康管理有限公司(Guangzhou Yuexiu Haiyiyuan Health Management Co., Ltd.*), an indirect non wholly-owned subsidiary of the Company, entered into the lease agreement with 廣州造紙集團有限公司 (Guangzhou Paper Group Ltd.*) ("Guangzhou Paper") in relation to the leasing of the properties located on Guangzhi East Fifth Street and Guangzhi North First Road for a term of 12 years for the development of elderly-care business of the Group. Guangzhou Paper is a connected person of the Company as it is a subsidiary of Guangzhou Yue Xiu.

* For identification purpose only

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

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

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2019, 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	4,616,224	0.030
Mr Lin Feng (Note 2)	Beneficial owner/ Beneficiary of a trust/ Spouse interest	6,389,121	0.041
Mr Li Feng	Beneficial owner	172,900	0.001
Ms Liu Yan	Beneficial owner	17,000	0.00011
Mr Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.026
Mr Lee Ka Lun	Beneficial owner	3,200,000	0.021
Mr Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.031

Note 1: Mr Lin Zhaoyuan is interested in 4,616,224 Shares, out of which 977,970 Shares are owned by him as beneficial owner, 3,638,254 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 6,389,121 Shares, out of which 2,805,577 Shares are owned by him as beneficial owner, 3,483,544 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.

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 2019, 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.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2019, 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
廣州越秀集團股份有限公司 (formerly known as "廣州越秀集團有限公司") (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) (Note 2)	Interests of controlled corporations	3,080,973,807 (Long position)	19.90

Note 1:

Pursuant to the SFO as at 31 December 2019, 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Yue Xiu	6,159,447,662
Superb Master Ltd.	401,989,620
Bosworth International Limited ("Bosworth") (Note i)	4,202,934,153
Novena Pacific Limited ("Novena") (Note ii)	978,065,907
Morrison Pacific Limited ("Morrison") (Note iii)	273,266,721
Greenwood Pacific Limited ("Greenwood") (Note iv)	234,689,273
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 Yue Xiu.

(ii) 978,065,907 shares were held by Novena, which was wholly-owned by Yue Xiu.

(iii) 273,266,721 shares were held by Morrison, which was wholly-owned by Yue Xiu.

(iv) 234,689,273 shares were held by Greenwood, which was wholly-owned by Yue Xiu.

(v) 60,918,133 shares were held by Goldstock, which was wholly-owned by Yue Xiu.

Note 2:

Pursuant to the SFO as at 31 December 2019, 廣州地鐵集團有限公司(Guangzhou Metro Group Co., Ltd.) was deemed to be interested in 3,080,973,807 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, details of which was as follows:

Name	Long positions in shares
Guangzhou Metro Investment Finance (HK) Limited (Note i)	3,080,973,807

(i) 3,080,973,807 shares were held by Guangzhou Metro Investment Finance (HK) Limited, which was wholly-owned by 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.)

Save as disclosed herein, as at 31 December 2019, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Lin Zhaoyuan
Chairman

Hong Kong, 10 March 2020

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 positive or negative 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. In the process of formulating and realizing strategic goals, the Board, management and employees of the Group jointly participate in the cultural integration, capacity building and various practices of risk management, using risk management to create, maintain and realize value for the Group. Risk management infiltrates all operation and management of the Group. Through risk management, we identify 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 "strive for progress with balance" overall risk appetite policy, maintain a stable capital and liabilities structure and maintain sufficient capital to resist various kinds of risks that might be faced through striking a balance between risks and income return:

1. Strategy risk refers to the risk that the strategic objectives do not fully consider changes in the market environment or the implementation of the strategic objectives is not in place, resulting in damage to corporate value. The Group manages strategy risks through review of effect of strategy implementation;

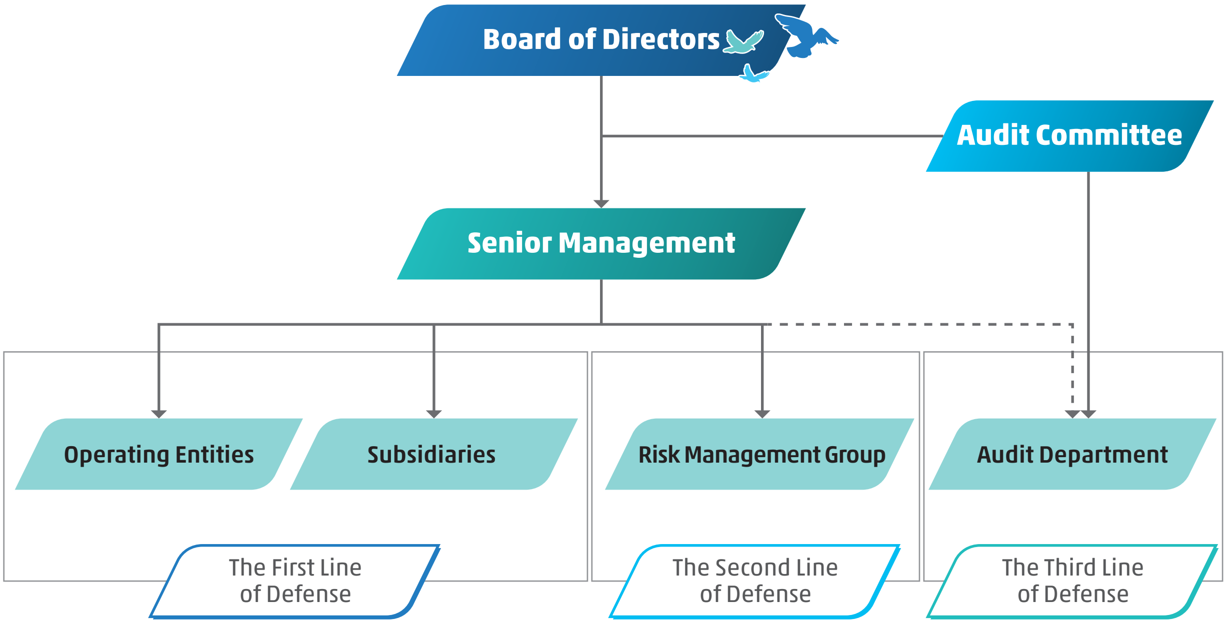
2. Financial and liquidity risk refer to inadequate financial management and unreasonable liquidity arrangements, resulting in obstruction to the Group 's operations, or resulting in idle funds or reduced use efficiency. The Group manages financial and liquidity risks through indicators including gearing ratio, the ratio of funds return to signed contracts, cash ratio in total assets and cash flow gap;

3. Market risk refers to the drastic changes in the capital market and capital market and have a significant impact on the capital cost and capital cost of the enterprise, resulting in damage to the Group's enterprise value. The Group manages market risk through indicators such as financing cost and price-to-book ratio; The Group manages market risks through the indicators such as financing costs and price-to-book ratio;

4. Operation risk refers to the risk of unexpected losses caused by the Group's internal control system defects. The Group manages operation risks by improving its internal control system, coordinating risk incident management and enhancing the accountability of risk incidents;

5. Reputation risk refers to the risk of negative public opinion, a certain amount of customer complaints, and the internal response of the group to failure, which ultimately damages the value of the group and causes negative effects. The Group manages reputational risks through customer satisfaction and other indicators;

III. RISK MANAGEMENT ORGANISATIONAL STRUCTURE



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, supervising the investment of risk management resources, supervising the implementation and continuous operation of the risk management system, and monitoring the construction of the Company's risk management culture.

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, to establish and improve the organisation and responsibility system of the three lines of defense of the Group, continue to operate the risk management process and mechanism, to review the effective of risk management structure, and confirm with the Board and (and committee under the Group), and to construct the enterprise risk management culture.

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, monitoring the core capabilities and resources of various departments, establishing and improving the risk management and control mechanism of the department, 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.

IV. RISK MANAGEMENT PROCEDURE

The Group carries out risk identification, evaluation and management 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 monitoring model 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; for key risks in key areas, the Risk Management Group collected first-hand key risk information on its own, and submitted the same to the senior management on a regular basis.

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 machine learning.

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.

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 2019

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 investment and progress 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 strategic risks, the Group set clear strategic direction and targeted, strengthened internal, external and special studies to improve risk sensitivity, enhanced the analysis of response speed of the major macro strategies, policies and regional planning released by central and local government, broke down strategic objectives, further developed breakdown strategies for regional companies and business units, and maintained the projects and business scale in the key strategic region to ensure that the Group's strategies were fully implemented.

For financial and liquidity risks, to ensure financial security, financial resources were integrated through the optimised fund management processes while receivables management were further strengthened. The Group raised awareness of financial risk, optimized financial management and money management, and put in place measures such as financial indicator analysis and early warning in order to ensure the stability of income and cash flows, reduce uncertainty and minimize losses.

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 market risk, the Group reduced the impact of exchange rate fluctuations on profit and loss by reasonably matching foreign currency assets and foreign currency liabilities, examining the foreign exchange exposure on a regular basis, and conducting stress measurement and evaluation; the Group reduced the impact of uncertainty in money markets and capital markets on the value of the Group by establishing close ties with capital markets and investment institutions, and managing and following up on the credit ratings of listed companies of the Group.

For reputational risk, the Group improved the customer service system and effectively responded to customer complaints to reduce reputational risk.

VII. 2020 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 the culture of risk management; fully capitalize on the "Third Line of Defense" function of internal audit and supervision.

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

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
COVID-19 outbreak risk	Systemic risk. Due to the COVID-19 outbreak, there may be the risk of a global financial crisis, an economic recession, a backlash against globalization, a decline in demand and a reduction of liquidity in 2020, which will have a great impact on the real estate sector.	1. Follow up on the progress in controlling the pandemic, and collect, analyze, study and report information on national policies on an ongoing basis in order to improve risk sensitivity. 2. Continue to keep pace with the general trend of resuming work and production in China, improve sales capabilities, develop online sales, and accelerate sales and payment collection. 3. Conduct prudent capital management and cash flow management, and go through the risk cycle positively and steadily.

RISK MANAGEMENT REPORT

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, other black swan events, etc. on the business development of the Group.	1. Establish a rapid response and adjustment mechanism for major macro-strategies, policies and regional plans announced by the central and local governments. 2. Coordinate and manage the external database of the Company and contact the research institutes of big data strategy on an ongoing basis. 3. Reasonably match product types to reduce the impact of other black swan events.
Investment feasibility study and decision making risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	1. 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 to comprehensively describe the risk profile of land parcels at the more microscopic level of segments. 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.	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	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.	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". 4. Position the project more accurately according to the consumption atmosphere in the vicinity of the project and the driving force of the segment.
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.	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. 3. Through external data, analyze the impact of the enterprise composition and enterprise aggregation effect of the trade area on business operations.

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 90 to 197, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties held by the Group and its associated entity Refer to notes 3.3(b), 4(a), 18 and 22 to the consolidated financial statements Management has estimated the fair value of the Group's investment properties to be RMB9,438 million at 31 December 2019, with a revaluation loss for the year ended 31 December 2019 recorded in the consolidated statement of profit or loss of RMB23 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associated entity, amounted to RMB29,982 million (attributable to the Group amounted to RMB11,423 million) at 31 December 2019, with a revaluation gain for the year ended 31 December 2019 recorded in the consolidated statement of profit or loss of RMB753 million (attributable to the Group amounted to RMB287 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 were supported by the available audit evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of properties under development and properties held for sale held by the Group Refer to notes 4(b), 24 and 25 to the consolidated financial statements The Group had properties under development and properties held for sale of RMB136,940 million and RMB13,447 million, respectively, as at 31 December 2019. Management assessed the carrying amounts according to the recoverable amount of these properties, taking into account the estimated costs to completion and estimated net sales value at prevailing market conditions. Write down to net realisation value is made when events or changes in circumstances indicate that the carrying amounts may not be realisable. The assessment requires management judgement and estimates.	Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included: • Evaluating 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; • Obtaining understanding from management and performing assessment 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.

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

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

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

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

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

- 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 Ho Kwok Fai, Timothy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	**38,339,112**	26,433,444
Cost of sales	6	**(25,221,725)**	(18,040,522)
Gross profit		**13,117,387**	8,392,922
Sales of investment properties		**137,487**	96,428
Direct costs of investment properties sold		**(103,511)**	(93,753)
Gain on sales of investment properties	20	**33,976**	2,675
Fair value (losses)/gains on revaluation of investment properties, net	18	**(23,434)**	370,875
Other gains, net	7	**799,285**	1,039,814
Selling and marketing costs	6	**(999,568)**	(650,513)
Administrative expenses	6	**(1,234,510)**	(1,045,130)
Operating profit		**11,693,136**	8,110,643
Finance income	8	**382,497**	169,665
Finance costs	9	**(1,160,942)**	(2,002,121)
Share of profit of			
– joint ventures	21	**12,037**	58,466
– associated entities	22	**486,318**	446,749
Profit before taxation		**11,413,046**	6,783,402
Taxation	10	**(6,682,538)**	(3,743,909)
Profit for the year		**4,730,508**	3,039,493
Attributable to:			
– Equity holders of the Company		**3,483,351**	2,727,885
– Non-controlling interests		**1,247,157**	311,608
		4,730,508	3,039,493
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	**0.2410**	0.2200

The notes on pages 99 to 197 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**4,730,508**	3,039,493
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(205,091)**	(415,210)
Gains/(losses) on cash flow hedges	**31,374**	(834)
Costs of hedging	**7,597**	–
Hedging losses reclassified to profit or loss	**12,664**	–
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	**44,558**	15,161
Other comprehensive loss for the year, net of tax	**(108,898)**	(400,883)
Total comprehensive income for the year	**4,621,610**	2,638,610
Attributable to:		
– Equity holders of the Company	**3,372,030**	2,326,177
– Non-controlling interests	**1,249,580**	312,433
	4,621,610	2,638,610

The notes on pages 99 to 197 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**2,505,924**	1,994,812
Right-of-use assets	17	**4,065,788**	–
Investment properties	18	**9,438,108**	10,865,470
Intangible assets		**85,995**	–
Land use rights	17	**–**	207,569
Properties under development	24	**11,532,544**	–
Interests in joint ventures	21	**7,162,021**	6,473,872
Interests in associated entities	22	**12,830,629**	13,912,313
Financial assets at fair value through other comprehensive income	23	**1,293,264**	1,228,635
Derivative financial instruments		**65,179**	9,069
Deferred tax assets	38	**665,128**	492,137
		49,644,580	35,183,877
Current assets			
Properties under development	24	**125,407,543**	73,069,099
Properties held for sale	25	**13,446,673**	10,164,536
Contract costs	26	**481,320**	334,697
Prepayments for land use rights		**3,086,312**	4,862,699
Trade receivables	27	**68,309**	50,916
Other receivables, prepayments and deposits	28	**9,956,283**	16,223,088
Prepaid taxation		**2,416,865**	1,772,324
Charged bank deposits	29	**6,083,829**	5,168,750
Cash and cash equivalents	30	**24,105,541**	21,990,512
		185,052,675	133,636,621
LIABILITIES			
Current liabilities			
Trade and note payables	31	**2,432,898**	1,407,577
Contract liabilities	32	**41,942,500**	31,637,956
Other payables and accrued charges	33	**47,665,154**	29,371,429
Borrowings	34	**7,138,023**	5,786,145
Lease liabilities	17	**114,542**	–
Derivative financial instruments		**1,347**	–
Taxation payable		**7,623,170**	4,425,962
		106,917,634	72,629,069
Net current assets		**78,135,041**	61,007,552
Total assets less current liabilities		**127,779,621**	96,191,429

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	**2019 RMB'000**	2018 RMB'000
Non-current liabilities			
Borrowings	34	**63,883,633**	47,619,960
Lease liabilities	17	**563,665**	–
Deferred tax liabilities	38	**6,911,015**	5,604,127
Deferred revenue		**53,829**	55,624
Other payables and accrued charges	33	**1,175,663**	–
		72,587,805	53,279,711
Net assets		**55,191,816**	42,911,718
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	35	**18,035,015**	12,759,402
Shares held under share award scheme	36	**(81,577)**	(55,220)
Other reserves	37	**567,349**	455,671
Retained earnings	37	**22,202,721**	20,666,714
		40,723,508	33,826,567
Non-controlling interests		**14,468,308**	9,085,151
Total equity		**55,191,816**	42,911,718

On behalf of the Board

Lin Zhaoyuan
Director

Lin Feng
Director

The notes on pages 99 to 197 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Operating profit	**11,693,136**	8,110,643
Adjustments for:		
Depreciation and amortisation (note 6)	**210,027**	64,972
(Gain)/loss on disposal of property, plant and equipment	**(786)**	82
Gain on sales of investment properties (note 20)	**(33,976)**	(2,675)
Fair value losses/(gains) on revaluation of investment properties, net (note 18)	**23,434**	(370,875)
Fair value loss on derivative financial instrument	**1,347**	–
Fair value loss on supporting arrangement liabilities (note 7)	**32,318**	22,736
Amortisation of deferred revenue	**(1,795)**	(1,794)
Provision for impairment of properties held for sale (note 6)	**179,796**	85,591
Gain on disposal of subsidiaries (note 7)	**(22,192)**	(463,494)
Loss on disposal of non-current assets held-for-sale	**–**	5,550
Remeasurement gains on interests in a joint venture/associated entities (note 7)	**(765,623)**	(553,636)
Gain on bargain purchase on acquisition (note 7)	**(10,561)**	(40,111)
Operating cash flows before movements in working capital	**11,305,125**	6,856,989
Increase in properties under development, properties held for sale and prepayments for land use rights	**(2,785,525)**	(1,748,450)
Increase in contract costs	**(70,872)**	(75,167)
Decrease in inventories	**–**	3,698
Decrease in trade receivables, other receivables, prepayments and deposits	**56,499**	843,474
Increase in trade and note payables, contract liabilities, other payables and accrued charges	**5,141,873**	10,030,631
Net exchange difference for working capital	**3,033**	(29,472)
Net cash generated from operations	**13,650,133**	15,881,703
Interest received	**158,139**	161,227
Interest paid	**(3,737,996)**	(2,928,613)
Hong Kong profits tax paid	**(1,296)**	(2,614)
China taxation paid	**(3,699,207)**	(2,881,628)
Net cash generated from operating activities	**6,369,773**	10,230,075

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Investing activities		
Purchases of property, plant and equipment and intangible assets	**(291,216)**	(237,437)
Proceeds from sales of property, plant and equipment	**2,084**	47,807
Purchases of investment properties (note 18)	**–**	(5,266)
Proceeds from sale of investment properties	**136,614**	95,516
Increase in charged bank deposits	**(915,079)**	(1,029,638)
Payment for acquisition of subsidiaries, net of cash acquired	**(12,303,753)**	(1,934,348)
Proceeds from disposal of subsidiaries, net of cash disposed	**2,301,715**	502,204
Capital injection in a joint venture	**(77,436)**	(810,900)
Acquisition of joint ventures	**(398,590)**	(243,013)
Capital injection in associated entities	**(244,750)**	–
Acquisition of associated entities	**(4,900)**	(564,872)
Dividends received from associated entities	**380,771**	278,860
Received from/(payment to) joint ventures and associated entities	**580,163**	(260,924)
Proceeds from sale of non-current asset held-for-sale	**–**	306,481
(Increase)/decrease in amounts due from associated entities and joint ventures	**(10,606,465)**	19,277
Decrease in amounts due from related parties of non-controlling interests and non-controlling interests	**1,271,380**	298,296
Net cash used in investing activities	**(20,169,462)**	(3,537,957)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Financing activities		
Capital contribution from non-controlling interests	**534,440**	1,287,517
Dividends paid to equity holders of the Company	**(1,432,672)**	(1,006,056)
Dividends paid to non-controlling interests	**(51,356)**	–
Increase in amounts due to an intermediate holding company	**400,299**	1,499,992
Increase in amounts due to joint ventures and associated entities	**9,292,462**	2,345,022
Increase/(decrease) in amounts due to related companies	**81**	(6,146)
Decrease in amounts due to fellow subsidiaries	**(35,974)**	(108,239)
Decrease in amounts due to ultimate holding company	**(3,068,068)**	–
(Decrease)/Increase in amounts due to related parties of non-controlling interests and non-controlling interests	**(2,562,027)**	768,573
Proceeds from bank borrowings	**18,387,375**	12,562,603
Repayment of bank borrowings	**(14,229,245)**	(21,994,369)
Proceeds from other borrowings	**12,753,828**	23,996,979
Repayment of other borrowings	**(4,001,000)**	(20,743,754)
Repayment for lease liabilities	**(91,956)**	–
Decrease in bank overdraft	**(16)**	–
Net cash generated from/(used in) financing activities	**15,896,171**	(1,397,878)
Increase in cash and cash equivalents	**2,096,482**	5,294,240
Cash and cash equivalents at the beginning of year	**21,990,455**	16,655,248
Exchange gain on cash and cash equivalents	**18,563**	40,967
Cash and cash equivalents at the end of year	**24,105,500**	21,990,455
Analysis of balances of cash and cash equivalents		
Bank balances and cash (note 30)	**24,105,541**	21,990,512
Bank overdrafts (note 34)	**(41)**	(57)
	24,105,500	21,990,455

The notes on pages 99 to 197 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2019	12,759,402	(55,220)	21,122,385	9,085,151	42,911,718
Comprehensive income					
Profit for the year	–	–	3,483,351	1,247,157	4,730,508
Other comprehensive income					
Currency translation differences	–	–	(205,091)	–	(205,091)
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	42,135	2,423	44,558
Gains on cash flow hedges	–	–	31,374	–	31,374
Costs of hedging	–	–	7,597	–	7,597
Hedging losses reclassified to profit or loss	–	–	12,664	–	12,664
Total other comprehensive income	–	–	(111,321)	2,423	(108,898)
Total comprehensive income	–	–	3,372,030	1,249,580	4,621,610
Transactions with owners					
Issuance of shares (note 19(a))	5,275,613	–	(291,673)	–	4,983,940
Dividends	–	–	(1,432,672)	(187,368)	(1,620,040)
Capital injection to subsidiaries	–	–	–	1,421,539	1,421,539
Non-controlling interests arising on business combination (note 19)	–	–	–	2,899,406	2,899,406
Acquisition of shares under share award scheme (note 36)	–	(51,183)	–	–	(51,183)
Shares granted to employees	–	24,826	–	–	24,826
Total transactions with owners	5,275,613	(26,357)	(1,724,345)	4,133,577	7,658,488
At 31 December 2019	18,035,015	(81,577)	22,770,070	14,468,308	55,191,816

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 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	–	–	–	2,842,000	2,842,000
Acquisition of shares under share award scheme (note 36)	–	(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

The notes on pages 99 to 197 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 10 March 2020.

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.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and investment properties which are measured at fair value.

***(iii)** The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2019:*

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in an Associate and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRSs
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16. The impact of the adoption of the leasing standard is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and amendments to existing standards 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 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2022
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 and HKFRS 7 (Amendment)	Benchmark Interest Rate Reform	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2020 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.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. All right-of-use assets will be measured at the amount of lease liabilities on adoption (adjusted for any prepaid or accrued expenses). The new accounting policies are disclosed in note 2.27.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.82%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	72,516
Discounted using the lessee's incremental borrowing rate at the date of initial application	60,684
Less: short-term leases recognised on a straight-line basis as expenses	(12,973)
Lease liability recognised as at 1 January 2019	**47,711**
Of which are:	
Current lease liabilities	**12,330**
Non-current lease liabilities	**35,381**
	47,711

The associated right-of-use assets for property leases were measured at the amount of lease liability on adoption (adjusted for any prepaid or accrued expenses). There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Properties	**653,078**	47,711
Land use rights	**3,412,710**	207,569
	4,065,788	255,280

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Adjustments recognised on adoption of HKFRS 16 (Continued)

Segment assets and additions to non-current assets for 2019 increased as a result of the change in accounting policy. The following segments of 2019 were affected by the change in policy:

	Segment assets RMB'000	Additions to non-current assets RMB'000
Property development	87,171	131,639
Property management	51,584	47,189
Others	514,323	523,660
	653,078	702,488

(iii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 where 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).

Inter-company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(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.

(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.

Where 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.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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 2.11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(v) Changes in ownership interests

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

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

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

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are presented in the statement of profit or loss within financial income or finance costs.

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

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 2.11).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment properties (Continued)

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.

2.10 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

2.11 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.

2.12 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either FVOCI or FVPL), 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(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.

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. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

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.

2.13 Offsetting financial instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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 at no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.15 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 hedges 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 3.3(a). Movements in the hedging reserve in shareholders' equity are shown in note 37. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Derivatives and hedging activities (Continued)

(i) Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

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.

2.16 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 of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.12 (iv) and 3.1(b) for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

2.19 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.22 Share capital and shares held under share award scheme

Ordinary shares are classified as equity.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(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 end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

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

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

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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.

(iii) 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.

(iv) 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 36.

(v) Termination benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (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.

2.27 Leases

(i) As explained in note 2.2, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases (Continued)

(i) (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

(i) Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and properties and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 18). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases (Continued)

(ii) Accounting policies applied until 31 December 2018

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. 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. The respective leased assets are included in the balance sheet based on their nature.

2.28 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.

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 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 of the Group are primarily sales commission for the property sales. The Group recognises above incremental costs of obtaining a contact 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.

(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 RMB588 million (2018: RMB570 million) and bank borrowings of approximately RMB9,584 million (2018: RMB7,145 million) which were denominated in HKD and cash and bank balances of approximately RMB367 million (2018: RMB343 million) and bank borrowings of approximately RMB11,816 million (2018: RMB11,604 million) which were dominated in USD as at 31 December 2019. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2019.

At 31 December 2019, 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 RMB854 million higher/lower (2018: post-tax profit RMB745 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 which 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 2019, fixed interest rate borrowings accounted for approximately 58% (31 December 2018: 57%) of the total borrowings.

At 31 December 2019, 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 RMB67 million lower/higher (2018: post-tax profit RMB78 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. 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 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 RMB84 million (2018: RMB79 million).

(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. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property 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 41.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 2019, 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 RMB9 million (2018: 9 million) were therefore fully impaired.

Trade receivables without known 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, including amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement record, past experience and forward looking information. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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.

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

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 30) 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 2019					
Borrowings (principal amount plus interest)	**10,371,372**	**22,789,927**	**42,350,318**	**5,019,851**	**80,531,468**
Trade and note payables (note 31)	**2,432,898**	**–**	**–**	**–**	**2,432,898**
Other payables and accrued charges	**44,354,511**	**84,794**	**1,253,640**	**–**	**45,692,945**
Lease liabilities	**131,735**	**120,802**	**161,636**	**435,785**	**849,958**
Financial guarantee (note 41)	**22,125,405**	**–**	**–**	**–**	**22,125,405**
Derivative financial instruments	**1,347**	**–**	**–**	**–**	**1,347**
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 31)	1,407,577	–	–	–	1,407,577
Other payables and accrued charges	27,830,331	–	–	–	27,830,331
Financial guarantee (note 41)	15,822,256	–	–	–	15,822,256

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 and lease liabilities 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 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (note 34)	**71,021,656**	53,406,105
Lease liabilities	**678,207**	–
Less: Cash and cash equivalents (note 30)	**(24,105,541)**	(21,990,512)
Net debt	**47,594,322**	31,415,593
Total equity (including non-controlling interests)	**55,191,816**	42,911,718
Total capital	**102,786,138**	74,327,311
Gearing ratio	**46.3%**	42.3%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The increase in the gearing ratio during 2019 resulted primarily due to the continuous stable growth in business operation.

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 2019	Level 2 RMB'000	Level 3 RMB'000
Financial assets		
Derivative financial instruments – foreign currency forwards	**65,179**	**–**
Financial assets at FVOCI (note 23)	**–**	**1,293,264**
Total financial assets	**65,179**	**1,293,264**
Financial liabilities		
Derivative financial instrument – embedded derivative of exchangeable bond	**–**	**1,347**

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 23)	–	1,228,635
Total financial assets	9,069	1,228,635

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

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.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The present value of future cash flows based on forward exchange rates at the balance sheet date
- The fair value of financial assets at FVOCI is derived through the Guideline Public Company Method by using the appropriate market multiples of comparable public company peers in the same or a similar industry
- The fair value of embedded derivative of exchangeable bond is determined using binomial free method

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

Refer to note 23 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the year ended 31 December 2019 and 31 December 2018.

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 embedded derivative of exchangeable bond at fair value. The level 3 financial assets and financial liability 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 2019.

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. Discussions of valuation processes and results are held between the management 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
- Other payables and accrued charges
- Trade and note payables
- Borrowings
- Lease liabilities

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	
	2019 RMB'000	2018 RMB'000
Investment properties (note 18)	**9,438,108**	10,865,470
Total non-financial assets	**9,438,108**	10,865,470

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 2019, all investment properties are included in level 3 fair value hierarchy.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

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

Refer to note 18 for the change in recurring fair value measurement of level 3 items for the years ended 31 December 2019 and 31 December 2018.

(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 2019 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	8,638,619	Comparison method and income capitalisation method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) RMB15,400/sqm to RMB26,700/sqm (2) RMB48/sm/mth to RMB680/sm/mth (3) 3.8% to 7%
Completed investment properties in Hong Kong	799,489	Comparison method and income capitalisation method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) HKD1,829/sq.ft to HKD72,093/sq.ft (2) HKD8/sf/mth to HKD165/sf/mth (3) 2.8% to 5%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

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

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 method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) RMB15,333/sqm to RMB26,667/sqm (2) RMB47/sm/mth to RMB660/sm/mth (3) 3.8% to 7%
Completed investment properties in Hong Kong	833,133	Comparison method and income capitalisation method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) HKD1,829/sq.ft to HKD73,256/sq.ft (2) HKD8/sf/mth to HKD189/sf/mth (3) 2.8% to 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.

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 2019. 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. Discussions of valuation processes and results are held between the management, 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).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

(c) Current and deferred income tax

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

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

(d) Recoverability of other receivables

The management assesses on a forward looking basis the expected credit losses associated with its other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to other receivables where the expectation is different from the original estimate, such difference will impact the carrying amount of other receivables and impairment charge in the periods in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Consolidation

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

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

5 SEGMENT INFORMATION

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

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

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

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Others	revenue from real estate agency and decoration services, etc.

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 2019					
Revenue	34,453,749	1,205,644	738,725	3,749,363	40,147,481
Inter-segment revenue	–	(317,458)	(49,161)	(1,441,750)	(1,808,369)
Revenue from external customers	34,453,749	888,186	689,564	2,307,613	38,339,112
Revenue from contracts with customers:					
Recognised at a point in time	34,453,749	–	–	598,384	35,052,133
Recognised over time	–	888,186	–	1,709,229	2,597,415
Revenue from other sources:					
Rental income	–	–	689,564	–	689,564
Segment results	9,556,614	130,157	458,045	840,754	10,985,570
Depreciation and amortisation	(151,107)	(28,545)	–	(30,375)	(210,027)
Fair value losses on revaluation of investment properties, net	–	–	(23,434)	–	(23,434)
Share of profit/(loss) of:					
– joint ventures	31,457	–	–	(19,420)	12,037
– associated entities	105,601	–	373,384	7,333	486,318

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	–	–	439,646	24,729,977
Recognised over time	–	846,496	–	172,256	1,018,752
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

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 2019					
Segment assets	**196,792,224**	**1,315,120**	**9,438,108**	**2,424,198**	**209,969,650**
Interests in joint ventures	**7,116,910**	**–**	**–**	**45,111**	**7,162,021**
Interests in associated entities	**3,615,060**	**–**	**8,224,747**	**990,822**	**12,830,629**
Total reportable segments' assets	**207,524,194**	**1,315,120**	**17,662,855**	**3,460,131**	**229,962,300**
Total reportable segments' assets include:					
Additions to non-current assets (note)	**375,270**	**60,483**	**–**	**653,328**	**1,089,081**
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	144,926,393	1,289,242	17,165,075	2,405,047	165,785,757
Total reportable segments' assets include:					
Additions to non-current assets (note)	126,332	6,294	5,266	2,947	140,839

Note: Non-current assets represent non-current assets other than properties under development, financial instruments, interests in joint ventures, interests in associated entities and deferred tax assets.

5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Segment results	**10,985,570**	7,159,196
Unallocated operating costs (note)	**(91,719)**	(88,367)
Other gains, net (note 7)	**799,285**	1,039,814
Operating profit	**11,693,136**	8,110,643
Finance income (note 8)	**382,497**	169,665
Finance costs (note 9)	**(1,160,942)**	(2,002,121)
Share of profit of:		
– joint ventures (note 21)	**12,037**	58,466
– associated entities (note 22)	**486,318**	446,749
Profit before taxation	**11,413,046**	6,783,402

Note: Unallocated operating costs include mainly staff salaries and other operating expenses of the Company.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total reportable segments' assets	**229,962,300**	165,785,757
Deferred tax assets (note 38)	**665,128**	492,137
Prepaid taxation	**2,416,865**	1,772,324
Corporate assets (note)	**1,652,962**	770,280
Total assets	**234,697,255**	168,820,498

Note: Corporate assets represent property, plant and equipment, right-of-use assets, derivative financial instruments, other receivables and cash and cash equivalent 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 2019, the Group does not have any single customer with the transaction value over 10% of the total external sales (2018: same).

6 EXPENSES BY NATURE

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

	2019 RMB'000	2018 RMB'000
Cost of properties sold included in cost of sales	**23,300,491**	16,604,384
Employee benefit expenses (note 13)	**1,912,748**	1,464,379
Selling and promotion expenses	**878,629**	571,314
Other tax and surcharge	**382,573**	324,710
Direct operating expenses arising from investment properties	**141,884**	133,674
Provision for impairment of properties held for sale (note 25)	**179,796**	85,591
Operating leases - Land and buildings	**–**	83,205
Expense related to short-term leases (note 17)	**86,467**	–
Depreciation of property, plant and equipment (note 16)	**72,260**	54,724
Amortisation of right-of-use assets (note 17)	**108,157**	–
Amortisation of intangible assets	**29,610**	–
Amortisation of land use rights	**–**	10,248
Auditor's remuneration	**6,000**	6,000
Other expenses	**357,188**	397,936
	27,455,803	19,736,165

7 OTHER GAINS, NET

	2019 RMB'000	2018 RMB'000
Remeasurement gains on interests in a joint venture/associated entities (note 19(b))	**765,623**	553,636
Gain on disposal of subsidiaries	**22,192**	463,494
Gain on bargain purchase on acquisition	**10,561**	40,111
Penalty income/(expense), net	**47,332**	(17,373)
Fair value loss on supporting arrangement liabilities (note 45(b)(II))	**(32,318)**	(22,736)
Others	**(14,105)**	22,682
	799,285	1,039,814

8 FINANCE INCOME

	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	**158,138**	109,933
Interest income on amount due from associated entities(note 45(b)(II)(IV)(VII))	**212,626**	57,308
Interest income on amount due from joint ventures (note 45(b)(V)(VI))	**11,733**	2,424
	382,497	169,665

9 FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings and overdrafts	**1,609,573**	1,356,077
Interest on other borrowings	**1,780,848**	1,422,669
Interest on borrowings from a shareholder (note 45(b)(VIII))	**133,935**	–
Interest on borrowings from intermediate holding company (note 45(b)(I))	**69,574**	128,785
Interest on borrowings from associated entities (note 45(b)(II)(IX)(X)(XI))	**33,564**	23,000
Interest on loan from ultimate holding company (note 45(b)(XII))	**20,634**	–
Interest on borrowings from a fellow subsidiary (note 45(b)(III))	**4,908**	1,982
Interest on borrowings from entities with significant influence over the subsidiaries (note 45(b)(XIII)(XIV)(XV)(XVI))	**160,014**	194,602
Interest on borrowings from non-controlling interest ("NCI") and related parties of NCI (note (a))	**106,908**	23,646
Interest expense on lease liabilities (note 17)	**19,964**	–
Net fair value gains on derivative financial instruments	**(17,138)**	(8,394)
Fair value losses on forward contract designated as cash flow hedges – transfer from OCI	**12,664**	–
Net foreign exchange loss on financing activities	**12,316**	653,146
Total borrowing costs incurred	**3,947,764**	3,795,513
Less: amount capitalised as properties under development and property, plant and equipment (note (b))	**(2,786,822)**	(1,793,392)
	1,160,942	2,002,121

9 FINANCE COSTS (Continued)

Note:

(a) The amount represents interest on the amounts of subsidiaries of the Group due to NCI and related parties of NCI. Out of the total amount of approximately RMB5,216 million, the interest bearing balance is approximately RMB2,332 million as at 31 December 2019 (31 December 2018: RMB293 million) and bears interest at a weighted average rate of 5.79% per annum (2018: 5.70% per annum). The balance, which is included in other payables and accrued charges, is denominated in RMB.

(b) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 5.17 percent per annum (2018: 4.82 percent per annum).

10 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2018: 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 (2018: 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 (2018: 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:

	2019 RMB'000	2018 RMB'000
Current taxation		
China enterprise income tax	**2,540,612**	1,472,708
China land appreciation tax	**4,094,104**	1,870,710
Corporate withholding income tax	**267,599**	–
Deferred taxation		
Origination and reversal of temporary difference	**(354,260)**	(10,580)
China land appreciation tax	**(28,704)**	92,008
Corporate withholding income tax on undistributed profits	**163,187**	319,063
	6,682,538	3,743,909

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, is as follows:

	2019 RMB'000	2018 RMB'000
Profit before taxation less share of profit of associated entities and joint ventures	**10,914,691**	6,278,187
Calculated at China enterprise income tax rate of 25 percent (2018: 25 percent)	**2,728,673**	1,569,547
Effect of different taxation rates	**72,428**	75,225
Income not subject to taxation	**(18,427)**	(34,263)
Expenses not deductible for taxation purposes	**391,218**	246,686
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**28,810**	95,613
Effect of land appreciation tax deductible for calculation of income tax purposes	**(1,016,350)**	(490,680)
Corporate withholding income tax	**430,786**	319,063
	2,617,138	1,781,191
Land appreciation tax	**4,065,400**	1,962,718
Taxation charges	**6,682,538**	3,743,909

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

	2019			2018		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of financial assets at FVOCI	**64,629**	**(20,071)**	**44,558**	21,990	(6,829)	15,161

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.

	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**3,483,351**	2,727,885
Weighted average number of ordinary shares in issue ('000)	**14,455,290**	12,401,307
Basic earnings per share (RMB)	**0.2410**	0.2200

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 2019, diluted earnings per share is equal to basic earnings per share (2018: same).

12 DIVIDENDS

The dividends paid in 2019 was approximately RMB1,433 million (2018: RMB1,006 million). The directors proposed a final dividend of HKD0.049 per ordinary share, totaling approximately RMB681 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 28 May 2020. These financial statements do not reflect this dividend payable.

	2019 RMB'000	2018 RMB'000
2019 interim, paid, of HKD0.053 equivalent to RMB0.047 (2018: HKD0.042 equivalent to RMB0.036) per ordinary share	**738,513**	462,368
Final, proposed, of HKD0.049 equivalent to RMB 0.044 (2018: HKD0.051 equivalent to RMB0.044) per ordinary share	**681,220**	545,657
	1,419,733	1,008,025

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.

13 EMPLOYEE BENEFIT EXPENSES

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	**1,565,206**	1,166,749
Pension costs (defined contribution plans)	**83,904**	70,166
Medical benefits costs (defined contribution plans)	**53,484**	46,547
Social security costs	**130,913**	108,827
Termination benefits	**–**	1,801
Staff welfare	**79,241**	70,289
	1,912,748	1,464,379

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.

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2019

	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a (iv)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (v)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
LIN Zhaoyuan	–	1,540	3,332	32	38	3,803	–	–	8,745
LIN Feng (note a (ii))	–	1,540	3,942	32	38	3,087	–	–	8,639
LI Feng	–	1,490	2,399	32	38	–	–	–	3,959
CHEN Jing	–	1,490	2,399	32	38	–	–	–	3,959
LIU Yan (note a (ii))	–	1,490	2,399	32	38	–	–	–	3,959
OUYANG Changcheng (note a(i))	109	–	–	–	–	–	–	–	109
YU Lup Fat Joseph	369	–	–	–	–	–	–	–	369
LEE Ka Lun	299	–	–	–	–	–	–	–	299
LAU Hon Chuen Ambrose	299	–	–	–	–	–	–	–	299
Total	1,076	7,550	14,471	160	190	6,890	–	–	30,337

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

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 (iv)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (v)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
ZHANG Zhaoxing (note a (iii))	–	1,540	3,590	32	44	–	–	–	5,206
ZHU Chunxiu (note a (iii))	–	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 (ii))	–	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

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) Appointed on 23 July 2019.

(ii) Appointed on 14 August 2018.

(iii) Resigned on 14 August 2018.

(iv) Discretionary bonuses are determined by the Group's financial performance.

(v) 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 (2018: 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 (2018: 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 were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: 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 (2018: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the year ended 31 December 2019 (2018: 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 2019 are also directors whose emoluments are reflected in the analysis presented in note 14 (2018: same).

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 2019						
Opening net book amount	5,425	1,090,632	828,989	61,637	8,129	1,994,812
Exchange differences	156	925	–	35	5	1,121
Additions	–	8,638	229,818	28,500	4,031	270,987
Disposals	–	–	–	(1,077)	(221)	(1,298)
Depreciation (note 6)	(16)	(56,129)	–	(14,022)	(2,093)	(72,260)
Transfer	–	–	(55,227)	55,227	–	–
Acquisition of subsidiaries (note 19)	–	–	317,754	689	–	318,443
Disposal of a subsidiary	(5,565)	–	–	(189)	(127)	(5,881)
Closing net book amount	–	1,044,066	1,321,334	130,800	9,724	2,505,924
At 31 December 2019						
Cost	–	1,258,051	1,321,334	233,636	66,181	2,879,202
Accumulated depreciation and impairment	–	(213,985)	–	(102,836)	(56,457)	(373,278)
Net book amount	–	1,044,066	1,321,334	130,800	9,724	2,505,924

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 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 18)	–	(1,524)	–	–	–	(1,524)
Transfer	–	553,653	(553,653)	–	–	–
Acquisition of subsidiaries	–	–	–	646	–	646
Disposal of a subsidiary	–	–	–	(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

Note:

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

(b) Refer to note 42 for information on assets pledged as securities by the Group.

17 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Land use rights (note (b)) RMB'000	Properties RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2019 (note (a))	207,569	47,711	255,280
Additions	–	702,488	702,488
Acquisition of subsidiaries (note 19)	3,216,177	–	3,216,177
Amortisation (note 6)	(11,036)	(97,121)	(108,157)
At 31 December 2019	3,412,710	653,078	4,065,788

Note:

(a) For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.2.

(b) The Group has the following land lease arrangements with mainland China government.

	31 December 2019 RMB'000	1 January 2019(note) RMB'000
Lease liabilities		
Current	114,542	12,330
Non-current	563,665	35,381
	678,207	47,711

Note: For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.2.

17 LEASES (Continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Note	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets			
Land use rights	6	(11,036)	–
Properties	6	(97,121)	–
Interest expense (included in finance cost)	9	(19,964)	–
Expense relating to short-term leases (included in cost of sales, selling and marketing costs, and administrative expenses)	6	(86,467)	–

(iii) Amounts recognised in cash flow

The payment for lease liabilities and short-term lease are RMB92 million and RMB86 million, respectively.

18 INVESTMENT PROPERTIES

	Completed investment properties		
	China RMB'000	Hong Kong RMB'000	Total RMB'000
Opening balance at 1 January 2019	10,033,249	832,221	10,865,470
Exchange differences	–	17,710	17,710
Disposals	(102,638)	–	(102,638)
Disposal of a subsidiary	(1,319,000)	–	(1,319,000)
Fair value gains/(losses), net (note(a))	27,008	(50,442)	(23,434)
Closing balance at 31 December 2019	8,638,619	799,489	9,438,108

18 INVESTMENT PROPERTIES (Continued)

	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	(3,199,000)	–	(3,199,000)
Fair value gains, net (note(a))	346,406	24,469	370,875
Closing balance at 31 December 2018	10,033,249	832,221	10,865,470

(a) The investment properties are leased to tenants under operating leases with rentals payable monthly.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 39.

Refer to note 42 for information on assets pledged as securities by the Group.

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

	2019 RMB'000	2018 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	**799,489**	832,221
Outside Hong Kong (note):		
Leases of between 10 to 50 years	**8,638,619**	10,033,249
	9,438,108	10,865,470

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

18 INVESTMENT PROPERTIES (Continued)

The statement of profit or loss shows the following amounts relating to investment properties:

	2019 **RMB'000**	2018 RMB'000
Rental income from operating leases	**689,564**	684,715
Direct operating expenses from property that generated rental income	**136,209**	131,000
Direct operating expenses from property that did not generate rental income	**5,675**	2,674
Fair value (losses)/gains on revaluation of investment properties, net	**(23,434)**	370,875

19 BUSINESS COMBINATION

(a) Acquisition of Guangzhou City Pinxiu Property Development Company Limited

On 27 February 2019,the Company entered into a conditional subscription agreement ("Subscription Agreement") with Guangzhou Metro Investment Finance (HK) Limited (a wholly-owned subsidiary of Guangzhou Metro Group Co., Ltd ("Guangzhou Metro")) relating to the proposed subscription by Guangzhou Metro Investment Finance (HK) Limited of 3,080,973,807 subscription shares of the Company ("Subscription Shares") at the subscription price of HK$2.00 per subscription share for a total consideration of HK$6,162 million (equivalent to RMB5,276 million). The Subscription Shares represent approximately 19.9% of the enlarged issued shares after the allotment and issuance of the Subscription Shares.

Simultaneously, with the entering into of the Subscription Agreement above, Guangzhou Yunhu Real Estate Development Co., Ltd. ("Yunhu Company") (an indirectly non-wholly owned subsidiary of the Company) entered into a set of acquisitions agreements ("Acquisitions Agreements") with Guangzhou Yue Xiu Holdings Limited ("GYHL"), a wholly owned subsidiary of GYHL and Guangzhou Metro respectively, pursuant to which Yunhu Company has conditionally agreed to acquire directly or indirectly, an aggregate of 86% of the equity interest in Guangzhou City Pinxiu Property Development Company Limited ("Pinxiu Company") together with the related balances due to GYHL and Guangzhou Metro. The total consideration for the Acquisitions Agreements was RMB14,082 million in aggregate. The completion of the Acquisitions Agreements was subject to the satisfaction of the conditions that the completion of above Subscription Agreement having taken place.

The above transactions was completed on 11 April 2019. Upon completion of the transactions, Pinxiu Company became an indirect non-wholly owned subsidiary of the Company.

19 BUSINESS COMBINATION (Continued)

(a) Acquisition of Guangzhou City Pinxiu Property Development Company Limited (Continued)

Details of the purchase consideration, the net assets acquired and bargain purchase are as follows:

Consideration	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	14,081,683
Cash received from the issuance of shares to Guangzhou Metro	(5,275,613)
Fair value of consideration shares	4,983,940
	13,790,010

The fair value of the 3,080,973,807 Subscription Shares issued as part of the consideration paid for the Company (RMB4,983,940,000) was based on the published share price on the acquisition date of 11 April 2019 of HK$1.89 (equivalent to RMB1.62) per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	689
Properties under development	16,571,000
Contract costs	9,010
Other receivables, prepayments and deposits	32,079
Cash and cash equivalents	417,916
Trade and note payables	(84,180)
Other payables and accrued charges	(2,518,930)
Deferred tax liabilities	(446,449)
Net identifiable assets acquired	13,981,135
Non-controlling interest	(186,992)
Gain on bargain purchase on acquisition	(4,133)
	13,790,010

19 BUSINESS COMBINATION (Continued)

(a) Acquisition of Guangzhou City Pinxiu Property Development Company Limited (Continued)

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

	RMB'000
Cash paid	(14,081,683)
Cash received	5,275,613
Cash and bank balance acquired	417,916
	(8,388,154)

The acquired business contributed nil of revenues and net losses of RMB108 million to the Group for the period from 11 April 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2019 would have been RMB38,339 million and RMB4,617 million respectively.

(b) Acquisition of Guangzhou Huibang Property Company Limited

On 26 April 2019, Guangzhou Yingsheng Investment Co., Ltd. ("Yingsheng Company") (an indirectly non-wholly owned subsidiary of the Company) and Guangzhou Greenland Property Development Co., Ltd. ("Greenland Company") (a third party) entered into voting right transfer agreement under which Greenland Company agreed to transfer 1% of shareholder's voting right in Guangzhou Huibang Property Co., Ltd. ("Huibang Company") to Yingsheng Company with no consideration. The transaction was completed on 30 April 2019.

Upon completion of the transaction, Yingsheng Company's voting right in Huibang Company was increased from 50% to 51% such that Yingsheng Company has control on voting both in the shareholders' meeting and board of directors in Huibang Company. Accordingly, Huibang Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

	RMB'000
Fair value of 50% shares held by the Group	1,507,532

19 BUSINESS COMBINATION (Continued)

(b) Acquisition of Guangzhou Huibang Property Company Limited (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Properties under development	5,707,700
Contract costs	66,741
Other receivables, prepayments and deposits	2,557,730
Prepaid taxation	471,620
Cash and cash equivalents	688,783
Trade and note payables	(294)
Contract liabilities	(5,561,764)
Borrowings	(370,000)
Taxation payable	(1,959)
Other payables and accrued charges	(33,094)
Deferred tax liabilities	(510,399)
Net identifiable assets acquired	3,015,064
Non-controlling interest	(1,507,532)
	1,507,532
Fair value of interest in a joint venture	1,507,532
Less: Interest in a joint venture	(741,909)
Remeasurement gain on interest in a joint venture (note 7)	765,623

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

	RMB'000
Cash paid	–
Cash and bank balance acquired	688,783
	688,783

The acquired business contributed revenues of RMB5,770 million and net profit of RMB50 million to the Group for the period from 30 April 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2019 would have been RMB38,339 million and RMB4,746 million respectively.

19 BUSINESS COMBINATION (Continued)

(c) Acquisition of Guangzhou Pinyue Property Development Company Limited

On 10 September 2019, Guangzhou City Construction & Development Group Nansha Co., Ltd. ("Nansha Company") (an indirectly non wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Easyway Incorporation Limited ("Easyway"), the intermediate holding company of Guangzhou Dongyue Industrial Development Company Limited ("Dongyue Company"), pursuant to which Nansha Company agreed to purchase 100% equity interest in the Dongyue Company together with the related balances due to GYHL. Dongyue Company holds 51% of equity interest of Guangzhou Pinyue Property Development Company Limited ("Pinyue Company"). The total consideration for the acquisition was RMB4,862 million in aggregate.

The transaction was completed on 23 October 2019. Upon completion of the transaction, Pinyue Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

Consideration	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	4,862,314

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Right-of-use assets	1,809,964
Properties under development	7,446,036
Other receivables, prepayments and deposits	7,108
Cash and cash equivalents	555,343
Other payables and accrued charges	(75,445)
Amount due to a non-controlling interest	(4,031,825)
Deferred tax liabilities	(220,160)
Net identifiable assets acquired	5,491,021
Non-controlling interest	(628,707)
	4,862,314

19 BUSINESS COMBINATION (Continued)

(c) Acquisition of Guangzhou Pinyue Property Development Company Limited (Continued)

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

	RMB'000
Cash paid	(4,862,314)
Cash and bank balance acquired	555,343
	(4,306,971)

The acquired business contributed nil of revenues and net losses of RMB51 million to the Group for the period from 23 October 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2019 would have been RMB38,339 million and RMB4,540 million respectively.

(d) Acquisition of Guangzhou Pinhui Property Development Company Limited

On 10 September 2019, Nansha Company entered into an equity transfer agreement with Easyway, the intermediate holding company of Guangzhou Weixin Industrial Development Company Limited ("Weixin Company"), pursuant to which Nansha Company agreed to purchase 100% equity interest in the Weixin Company together with the related balances due to GYHL. Weixin Company holds 51% equity interest of Guangzhou Pinhui Property Development Company Limited ("Pinhui Company"). The total consideration for the acquisition was RMB4,014 million in aggregate.

The transaction was completed on 23 October 2019. Upon completion of the transaction, Pinhui Company became an indirect non-wholly owned subsidiary of the Company.

Details of the purchase consideration and the net assets acquired are as follows:

Consideration	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	4,013,865

19 BUSINESS COMBINATION (Continued)

(d) Acquisition of Guangzhou Pinhui Property Development Company Limited (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	317,754
Right-of-use assets	1,406,213
Properties under development	7,285,033
Other receivables, prepayments and deposits	1,813
Cash and cash equivalents	514,680
Other payables and accrued charges	(1,518,703)
Amount due to a non-controlling interest	(3,270,745)
Deferred tax liabilities	(146,005)
Net identifiable assets acquired	4,590,040
Non-controlling interest	(576,175)
	4,013,865

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

	RMB'000
Cash paid	(4,013,865)
Cash and bank balance acquired	514,680
	(3,499,185)

The acquired business contributed nil of revenues and net losses of RMB29 million to the Group for the period from 23 October 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2019 would have been RMB38,339 million and RMB4,656 million respectively.

20 GAINS ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB137 million (2018: RMB96 million) resulting in a total net gain of approximately RMB34 million (2018: RMB3 million).

21 INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Investments in joint ventures		
At 1 January	**2,956,566**	1,844,186
Additions	**476,026**	1,053,914
Deem disposal of a joint venture (note 19(b))	**(741,909)**	–
Share of profit	**12,037**	58,466
At 31 December 2019	**2,702,720**	2,956,566
Amounts due from joint ventures (note 45(c))	**4,460,300**	3,518,305
Less: provision for impairment of amounts due from joint ventures	**(999)**	(999)
	4,459,301	3,517,306
Total	**7,162,021**	6,473,872

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 2019, there was no individually material joint venture to the Group.

Details of the Group's joint ventures as at 31 December 2019 are set out on page 215.

21 INTERESTS IN JOINT VENTURES (Continued)

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.

	2019 RMB'000	2018 RMB'000
Assets		
Non-current assets	1,354,833	160,916
Current assets	11,512,884	11,776,825
	12,867,717	11,937,741
Liabilities		
Non-current liabilities	(1,547,745)	(917,500)
Current liabilities	(8,617,252)	(8,063,675)
	(10,164,997)	(8,981,175)
Net assets	2,702,720	2,956,566
Revenue	1,213,044	793,466
Expenses	(1,186,145)	(713,969)
Profit before taxation	26,899	79,497
Taxation	(14,862)	(21,031)
Profit for the year	12,037	58,466

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 2019 (2018: nil).

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

22 INTERESTS IN ASSOCIATED ENTITIES

	2019 RMB'000	2018 RMB'000
Share of net assets	**9,369,412**	8,714,028
Deferred units (note)	**1,339,994**	1,554,904
Amounts due from associated entities (note 45(c))	**2,121,223**	3,643,381
Interests in associated entities	**12,830,629**	13,912,313

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

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

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

	2019 RMB'000	2018 RMB'000
Revenue	**2,573,155**	1,386,470
Profit after tax	**486,318**	446,749
Assets	**24,128,735**	23,868,020
Liabilities	**(14,759,323)**	(15,153,992)
Net assets	**9,369,412**	8,714,028

Details of the Group's significant associated entities as at 31 December 2019 are set out on page 216.

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 RMB4,943 million (2018: RMB4,560 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB5,777 million (2018: RMB4,935 million).

22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

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.

	2019 RMB'000	2018 RMB'000
Investment properties	**29,982,000**	29,115,000
Other non-current assets (excluding investment properties)	**4,286,172**	4,525,423
Cash and cash equivalents	**1,319,010**	1,458,755
Other current assets (excluding cash and cash equivalents)	**422,346**	460,693
Total assets	**36,009,528**	35,559,871
Non-current liabilities, other than net assets attributable to unitholders	**(16,160,688)**	(16,326,630)
Current liabilities	**(4,460,013)**	(3,912,502)
Total liabilities, other than net assets attributable to unitholders	**(20,620,701)**	(20,239,132)
Net assets attributable to unitholders	**(14,314,894)**	(14,178,927)
Total liabilities	**(34,935,595)**	(34,418,059)
Net assets	**1,073,933**	1,141,812
Revenue	**2,058,112**	2,031,876
Fair value gain on investment properties	**752,700**	905,159
Depreciation and amortisation	**(126,069)**	(117,426)
Finance income	**33,748**	58,253
Finance expenses	**(777,633)**	(1,008,160)
Operating expenses	**(961,894)**	(921,657)
Others	**406,999**	488,989
Profit before income tax	**1,385,963**	1,437,034
Income tax expense	**(441,828)**	(458,369)
Post-tax profit before transactions with unitholders	**944,135**	978,665
Transactions with unitholders	**(867,030)**	(1,046,319)
Profit/(loss) after income tax after transactions with unitholders	**77,105**	(67,654)
Other comprehensive loss	**(525)**	(35,407)
Total comprehensive income/(loss)	**76,580**	(103,061)
Dividends received	**(275,771)**	(278,860)

22 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:

	2019 RMB'000	2018 RMB'000
Net assets attributable to unitholders as at 1 January	14,178,926	13,876,589
Issuance of units	119,132	110,780
Transactions with unitholders	867,030	1,046,319
Distributions paid to unitholders	(850,194)	(854,762)
Net assets attributable to unitholders at 31 December	14,314,894	14,178,926
Net assets attributable to deferred unitholders	(1,339,994)	(1,554,904)
Net assets attributable to normal unitholders	12,974,900	12,624,022
Interest in an associated entity	38.10%	36.12%
Carrying value	4,943,437	4,559,797

23 FINANCIAL ASSETS AT FVOCI

	2019 RMB'000	2018 RMB'000
Opening balance at 1 January	1,228,635	1,206,645
Increase in fair value recognised in other comprehensive income related to equity investments	64,629	21,990
Closing balance at 31 December	1,293,264	1,228,635

Financial assets at FVOCI represent unlisted securities in companies located in China without external credit ratings.

23 FINANCIAL ASSETS AT FVOCI (Continued)

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

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

If the discount for lack of marketability would be changed by +0.5% or -0.5%, the fair value of the investments and other comprehensive income would decrease or increase by approximately RMB11 million (2018: RMB10 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

24 PROPERTIES UNDER DEVELOPMENT

	2019 **RMB'000**	2018 RMB'000
Amounts are expected to be completed		
– within the normal operating cycle included under current assets	**125,407,543**	73,069,099
– beyond the normal operating cycle included under non-current assets	**11,532,544**	–
	136,940,087	73,069,099

The normal operating cycle of the Group's property development generally ranges from 2 to 3 years.

Properties under development are mainly located in China.

Refer to note 42 for information on assets pledged as securities by the Group.

25 PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
At cost	**11,197,710**	9,086,265
At fair value less cost to sell	**2,248,963**	1,078,271
	13,446,673	10,164,536

Properties held for sale are mainly located in China.

Refer to note 42 for information on assets pledged as securities by the Group.

A provision for impairment of RMB180 million (2018: RMB86 million) is recognised as expense and included in "cost of sales" (note 6).

26 CONTRACT COSTS

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

	2019 RMB'000	2018 RMB'000
Assets recognised from costs incurred to obtain a contract at 31 December	**481,320**	334,697
Amortisation recognised as selling expenses during the year	**(382,434)**	(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.

27 TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables from contracts with customers	**77,114**	59,721
Loss allowance	**(8,805)**	(8,805)
	68,309	50,916

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

27 TRADE RECEIVABLES (Continued)

The Group's credit period of the trade receivables is 90 days from the date of invoice. As at 31 December 2019 and 2018, the ageing analysis of the trade receivables from the invoice date is as follows:

	2019 RMB'000	2018 RMB'000
0 - 30 days	**29,920**	20,216
31 - 180 days	**19,760**	11,393
181 - 365 days	**11,809**	13,623
Over 1 year	**15,625**	14,489
	77,114	59,721

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

The Group's trade receivables are denominated in RMB.

28 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Amounts due from NCI and related parties of NCI	**3,545,897**	1,769,631
Amounts due from related parties (Note 45(c))	**2,536,703**	9,568,456
Deposits	**823,714**	89,405
Prepaid value added taxes and other taxes	**642,888**	911,250
Prepayments	**492,933**	338,236
Other receivables	**1,914,148**	3,546,110
	9,956,283	16,223,088

Majority of the Group's other receivables are denominated in RMB and interest free.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The fair value of other receivables approximated their carrying amounts.

29 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.

30 CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash at bank	**24,090,162**	21,915,107
Short-term bank deposits	**15,379**	75,405
	24,105,541	21,990,512

Cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
HKD	**588,102**	570,046
RMB	**23,143,201**	21,069,928
USD	**366,543**	343,059
Others	**7,695**	7,479
	24,105,541	21,990,512

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 (2018: 1 percent).

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

31 TRADE AND NOTE PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**407,080**	260,055
Note payables	**2,025,818**	1,147,522
	2,432,898	1,407,577

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

31 TRADE AND NOTE PAYABLES (Continued)

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

	2019 RMB'000	2018 RMB'000
0 - 30 days	**585,856**	560,463
31 - 90 days	**676,356**	332,645
91 - 180 days	**967,073**	469,212
181 - 365 days	**147,875**	21,037
1 - 2 years	**42,680**	16,579
Over 2 years	**13,058**	7,641
	2,432,898	1,407,577

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

32 CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities	**41,942,500**	31,637,956

(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 in 2019 that was included in the contract liabilities balance at 31 December 2018 is approximately RMB23,646 million (2018: RMB11,083 million).

(c) For property management services contracts, the Group recognised revenue equals 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.

33 OTHER PAYABLES AND ACCRUED CHARGES

	2019 RMB'000	2018 RMB'000
Accrual for construction related costs	**13,843,612**	10,763,974
Accrued employee benefits costs	**1,219,534**	790,887
Amounts due to related parties (note 45(c))	**22,675,150**	10,873,571
Amounts due to NCI and related parties of NCI (note (a))	**5,215,553**	3,172,557
Other payables	**5,886,968**	3,770,440
	48,840,817	29,371,429
Less: non-current proportion of amounts due to related parties	**(1,175,663)**	–
	47,665,154	29,371,429

Note:

(a) Out of the total amount of approximately RMB5,216 million, the interest bearing balance is approximately RMB2,332 million as at 31 December 2019 (31 December 2018: RMB293 million) and bears interest at a weighted average rate of 5.79% per annum (2018:5.70% per annum) (see note(9)). Except for an amount of approximately RMB360,717,000 is repayable in 2022, the remaining balance is repayable on demand.

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

34 BORROWINGS

	2019 RMB'000	2018 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	**9,784,060**	10,855,895
– Unsecured	**15,233,754**	9,623,606
Other borrowings (a)		
– Secured	**570,160**	920,160
– Unsecured	**38,295,659**	26,220,249
Obligations under finance leases	**–**	50
	63,883,633	47,619,960
Current		
Bank overdrafts	**41**	57
Short-term bank borrowings		
– Unsecured	**49,377**	383,527
Current portion of long-term bank borrowings		
– Secured	**2,196,840**	2,204,200
– Unsecured	**2,790,372**	100
Other borrowings (a)		
– Secured	**350,000**	300,000
– Unsecured	**1,751,393**	2,898,202
Obligations under finance leases	**–**	59
	7,138,023	5,786,145
Total borrowings	**71,021,656**	53,406,105

34 BORROWINGS (Continued)

(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 2019, an amount of RMB1,000 million of corporate bonds were matured and the issuer adjusted certain coupon rates. As at 31 December 2019, the amount of corporate bonds decreased to RMB7,000 million with interest rates ranging from 3.15% to 3.80%.

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.

In 2019, the Group issued aggregated nominal value of RMB2,500 million corporate bonds with interest rates ranging from 3.85% to 3.93% per annum and with maturity between 3 years to 5 years. The net proceed, after deducting the issuance costs, amounted to RMB2,491 million.

In 2019, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.60% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 million.

In 2019, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.83% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,494 million.

Except for the PRC corporate bonds amounting to RMB9,250 million, other PRC corporate bonds contain the early redemption options, which means the Group shall be entitled to adjust the coupon rate whereas the investors shall be entitled to sell back in whole or in part the bonds.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2019 and 2018.

GYHL, the ultimate holding company, provides guarantee for above corporate bond (note 45(e)).

(ii) Private placement note

In 2019, the Group issued aggregated nominal value of RMB1,800 million private placement note with interest rates of 4.03% per annum and with maturity of 5 years. The net proceed, after deducting the issuance costs, amounted to RMB1,797 million.

34 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(iii) 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 ranging from 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.

(iv) Exchangeable bond

The Group issued an exchangeable bond with an aggregate cash proceeds of HKD1.1 billion, which will be matured on 27 April 2020. The bonds bear interest at the rate of 1.875% per annum. Each bondholder have the right to deposit all or any of its bonds with, or to the order of, the Group and to receive in exchange a pro rata share of the units in Yuexiu REIT as at the relevant exchange date.

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Within one year	**5,036,630**	2,587,884	**2,101,393**	3,198,261
In the second year	**6,742,277**	6,805,171	**13,527,890**	1,656,000
In the third to fifth year	**16,431,829**	11,096,030	**22,955,526**	20,284,116
Over five years	**1,843,708**	2,578,300	**2,382,403**	5,200,343
	30,054,444	23,067,385	**40,967,212**	30,338,720

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

	2019			2018		
	HKD	**RMB**	**USD**	HKD	RMB	USD
Bank borrowings	**3.09%**	**5.01%**	**–**	2.62%	5.57%	–
Other borrowings	**5.06%**	**4.74%**	**4.88%**	6.27%	4.37%	4.83%
Bank overdrafts	**5.50%**	**–**	**–**	3.48%	–	–

34 BORROWINGS (Continued)

(a) Other borrowings (Continued)

(iii) Exchangeable bond (Continued)

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

	2019 RMB'000	2018 RMB'000
HKD	**9,583,689**	7,144,654
RMB	**49,621,641**	34,657,300
USD	**11,816,326**	11,604,151
	71,021,656	53,406,105

The fair values of borrowings approximate their carrying amounts.

35 SHARE CAPITAL

	Number of shares 2019 ('000)	Number of shares 2018 ('000)	Share capital 2019 RMB'000	Share capital 2018 RMB'000
At 1 January	**12,401,307**	12,401,307	**12,759,402**	12,759,402
Issues of ordinary shares relating to acquisition of subsidiary, net of transaction cost and tax (note 19(a))	**3,080,973**	–	**5,275,613**	–
At 31 December	**15,482,280**	12,401,307	**18,035,015**	12,759,402

Ordinary shares have no par value.

36 SHARES HELD UNDER SHARE AWARD SCHEME

Adoption of the share award scheme

The share award scheme for employees 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.

36 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

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.

	2019 Shares ('000)	2018 Shares ('000)	**2019 RMB'000**	2018 RMB'000
Shares held under share award scheme	**(56,571)**	(44,283)	**(81,577)**	(55,220)

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 2018	**(17,192)**	(21,301)
Acquisition of shares by the Trust	**(27,091)**	(33,919)
Balance 31 December 2018	**(44,283)**	(55,220)
Acquisition of shares by the Trust	**(32,233)**	(51,183)
Shares granted to employees	**19,945**	24,826
Balance 31 December 2019	**(56,571)**	(81,577)

The weighted average price of awarded shares held during the year ended 31 December 2019 was approximately RMB1.44 per share (2018: RMB1.25 per share).

19,944,867 shares were granted to the relevant selected participants during the year ended 31 December 2019 (2018: nil). As at 31 December 2019, the total number of issued ordinary shares of the Company included 56,571,094 shares held under the share award scheme (31 December 2018: 44,283,335 shares).

37 RESERVES

	Statutory reserves (note (a))	Exchange fluctuation reserve	Financial assets at FVOCI (note b)	Hedging reserve	Others	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	213,964	(503,324)	745,865	(834)	–	20,666,714	21,122,385
Currency translation differences	–	(205,091)	–	–	–	–	(205,091)
Change in fair value of equity investment at FVOCI							
– gross	–	–	61,398	–	–	–	61,398
– tax	–	–	(15,349)	–	–	–	(15,349)
– effect of withholding tax	–	–	(3,914)	–	–	–	(3,914)
Gains on cash flow hedges	–	–	–	31,374	–	–	31,374
Costs of hedging	–	–	–	7,597	–	–	7,597
Hedging losses reclassified to profit or loss	–	–	–	12,664	–	–	12,664
Profit attributable to shareholders	–	–	–	–	–	3,483,351	3,483,351
Dividends paid	–	–	–	–	–	(1,432,672)	(1,432,672)
Issuance of shares	–	–	–	–	(291,673)	–	(291,673)
Transfer to appropriation	514,672	–	–	–	–	(514,672)	–
At 31 December 2019	728,636	(708,415)	788,000	50,801	(291,673)	22,202,721	22,770,070
Representing:							
2019 final dividend proposed						681,220	
Others						21,521,501	
						22,202,721	

37 RESERVES (Continued)

	Statutory reserves (note (a))	Exchange fluctuation reserve	Available-for-sale financial assets fair value reserve	Financial assets at FVOCI (note b)	Hedging reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	

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 2.12. 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.

38 DEFERRED TAXATION

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

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

	2019 RMB'000	2018 RMB'000
Beginning of the year	5,111,990	4,357,009
(Credit)/charged to profit or loss during the year (note 10)	(219,777)	400,491
Disposal of a subsidiary	–	(204,260)
Acquisition of subsidiaries (note 19)	1,323,013	716,995
Deferred taxation charged to equity (note 10)	20,071	6,829
Dividend payment	–	(167,132)
Exchange differences	10,590	2,058
End of the year	6,245,887	5,111,990

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 2019	246,690	63,775	196,703	1,021	508,189
Acquisition of subsidiaries	–	–	240,050	–	240,050
Credit to profit or loss during the year	40,650	43,557	63,475	–	147,682
At 31 December 2019	287,340	107,332	500,228	1,021	895,921
At 1 January 2018	45,687	42,377	246,674	1,021	335,759
Acquisition of subsidiaries	84,349	–	–	–	84,349
Credit/(charged) 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

38 DEFERRED TAXATION (Continued)

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

	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of financial assets at FVOCI RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Withholding tax on profit to be distributed in future RMB'000	Total RMB'000
At 1 January 2019	**3,686,617**	**–**	**287,645**	**–**	**–**	**1,645,917**	**5,620,179**
Exchange differences	**10,590**	**–**	**–**	**–**	**–**	**–**	**10,590**
(Credited)/charged to profit or loss during the year	**(235,282)**	**–**	**–**	**–**	**–**	**163,187**	**(72,095)**
Credited to reserves	**–**	**–**	**16,157**	**–**	**–**	**3,914**	**20,071**
Acquisition of subsidiaries	**1,563,063**	**–**	**–**	**–**	**–**	**–**	**1,563,063**
At 31 December 2019	**5,024,988**	**–**	**303,802**	**–**	**–**	**1,813,018**	**7,141,808**
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	(204,260)	–	–	–	–	–	(204,260)
Acquisition of subsidiaries	801,344	–	–	–	–	–	801,344
Dividend payment	–	–	–	–	–	(167,132)	(167,132)
At 31 December 2018	3,686,617	–	287,645	–	–	1,645,917	5,620,179

38 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2019 RMB'000	2018 RMB'000
Deferred tax assets		
– China enterprise income tax	**665,128**	492,137
	665,128	492,137
Deferred tax liabilities		
– Hong Kong profits tax	**28,956**	26,842
– China enterprise income tax	**5,694,919**	4,361,441
– China land appreciation tax	**1,187,140**	1,215,844
	6,911,015	5,604,127

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 2019, the Group had unrecognised deferred tax benefits of approximately RMB483 million (2018: RMB507 million) in respect of tax losses of approximately RMB2,378 million (2018: RMB1,161 million). Tax losses amounting to RMB1,065 million (2018: RMB944 million) will expire at various dates up to and including 2024 (2018: 2023). The remaining tax losses have no expiry date.

39 NON-CANCELLABLE OPERATING LEASES

At 31 December 2019, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2019 RMB'000	2018 RMB'000
Not later than one year	**407,757**	388,138
Later than one year and not later than five years	**515,405**	741,384
Later than five years	**155,067**	185,839
	1,078,229	1,315,361

40 CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	**449,315**	486,092
Authorised but not contracted for	**276,641**	311,906
	725,956	797,998

41 GUARANTEES

	2019 RMB'000	2018 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	**20,090,477**	13,692,282
Guarantee for banking and loan facility granted to associated entities (note (b))	**974,928**	779,974
Guarantees for banking and loan facilities granted to joint ventures (note (b))	**1,060,000**	1,350,000
	22,125,405	15,822,256

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 2019, certain subsidiaries of the Group provided guarantees up to a limit of approximately RMB2,035 million (31 December 2018: RMB2,130 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which guarantees of approximately RMB1,007 million (31 December 2018: RMB1,198 million) were utilised and guarantees of approximately RMB1,028 million (31 December 2018: RMB932 million) were not utilised yet.

42 SECURITIES FOR BANKING FACILITIES

At 31 December 2019, 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 RMB29,051 million (2018: RMB29,365 million), RMB170 million (2018: RMB1,435 million), RMB6,690 million (2018: RMB6,650 million) and RMB686 million (2018: RMB639 million) respectively and;

(b) mortgages of certain of the Group's right-of-use assets (2018: land use rights) with an aggregate carrying value is RMB7 million (2018: RMB7 million).

43 LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings due within 1 year (excluding overdraft) RMB'000	Borrowings due after 1 year RMB'000	Lease Liabilities RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 31 December 2018	(5,786,088)	(47,619,960)	–	(14,083,748)	(67,489,796)
Changes in accounting policies	–	–	(47,711)	–	(47,711)
Cash flows	6,608,881	(19,519,839)	91,956	(4,026,773)	(16,845,775)
Foreign exchange adjustments	(2,937)	(393,207)	–	–	(396,144)
Transfer between borrowings due within 1 year and after 1 year	(7,955,419)	7,955,419	–	–	–
Addition of lease liabilities	–	–	(702,488)	–	(702,488)
Amortisation of lease liabilities	–	–	(19,964)	–	(19,964)
Acquisition of subsidiaries	–	(4,270,000)	–	(10,286,213)	(14,556,213)
Transfer to capital	–	–	–	887,099	887,099
Other changes (a)	(2,419)	(36,046)	–	(460,967)	(499,432)
Liabilities from financing activities as at 31 December 2019	(7,137,982)	(63,883,633)	(678,207)	(27,970,602)	(99,670,424)

	Borrowings due within 1 year (excluding overdraft) RMB'000	Borrowings due after 1 year RMB'000	Other payables RMB'000	Total RMB'000
Liabilities from financing activities as at 31 December 2017	(8,461,575)	(39,247,462)	(9,589,067)	(57,298,104)
Cash flows	7,620,583	(1,442,042)	(4,499,202)	1,679,339
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	–	–
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)

Note:

(a) Other changes include non-cash movements and cash received or payment which are presented as operating cash flows in the statement of cash flows.

44 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	廣州宏勝房地產開發有限公司		廣州東耀房地產開發有限公司		海南白馬建設開發有限公司	
	31 Dec 2019 RMB'000	31 Dec 2018 RMB'000	**31 Dec 2019 RMB'000**	31 Dec 2018 RMB'000	**31 Dec 2019 RMB'000**	31 Dec 2018 RMB'000
Current assets	**13,687,960**	16,234,997	**9,582,436**	15,836,463	**19,632**	3,398,033
Current liabilities	**6,704,164**	7,831,467	**4,024,525**	12,364,553	**1,902,719**	1,587,593
Current net assets/(liabilities)	**6,983,796**	8,403,530	**5,557,911**	3,471,910	**(1,883,087)**	1,810,440
Non-current assets	**22,148**	12,492	**188,717**	160,831	**4,011,683**	647,110
Non-current liabilities	**1,080,333**	2,664,487	**1,895,122**	2,052,195	**1,421,228**	1,638,467
Non-current net (liabilities)/assets	**(1,058,185)**	(2,651,995)	**(1,706,405)**	(1,891,364)	**2,590,455**	(991,357)
Net assets	**5,925,611**	5,751,535	**3,851,506**	1,580,546	**707,368**	819,083
Accumulated NCI	**2,905,656**	2,820,201	**1,929,966**	764,788	**346,095**	404,746

Summarised statement of comprehensive income	廣州宏勝房地產開發有限公司		廣州東耀房地產開發有限公司		海南白馬建設開發有限公司	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Revenue	**1,684,954**	1,325,388	**9,414,589**	1,305,276	**–**	–
Profit/(loss) for the period	**174,076**	(48,465)	**2,270,960**	7,959	**(111,716)**	(95,735)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**174,076**	(48,465)	**2,270,960**	7,959	**(111,716)**	(95,735)
Profit/(loss) allocated to NCI	**85,455**	(23,792)	**1,165,178**	4,083	**(58,651)**	(50,261)
Dividends paid to NCI	**–**	–	**–**	–	**–**	–

44 NON-CONTROLLING INTERESTS (Continued)

Summarised cash flows	廣州宏勝房地產開發有限公司		廣州東耀房地產開發有限公司		海南白馬建設開發有限公司	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities	**1,050,550**	810,555	**5,035,164**	4,388,376	**(176,199)**	(53,259)
Cash flows from investing activities	**–**	–	**–**	–	**–**	–
Cash flows from financing activities	**(583,736)**	(588,677)	**(5,123,854)**	(3,539,629)	**166,247**	43,147
Net increase/(decrease) in cash and cash equivalents	**466,814**	221,878	**(88,690)**	848,747	**(9,952)**	(10,112)

Summarised balance sheet	廣州市品秀房地產開發有限公司		廣州市品悦房地產開發有限公司		廣州市品薈房地產開發有限公司	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**15,557,855**	–	**5,811,683**	–	**5,134,912**	–
Current liabilities	**8,668,793**	–	**8,703,107**	–	**8,313,947**	–
Current net assets/(liabilities)	**6,889,062**	–	**(2,891,424)**	–	**(3,179,035)**	–
Non-current assets	**3,158,931**	–	**4,414,846**	–	**4,501,484**	–
Non-current liabilities	**2,474,813**	–	**293,847**	–	**177,889**	–
Non-current net assets	**684,118**	–	**4,120,999**	–	**4,323,595**	–
Net assets	**7,573,180**	–	**1,229,575**	–	**1,144,560**	–
Accumulated NCI	**1,058,230**	–	**601,851**	–	**560,658**	–

44 NON-CONTROLLING INTERESTS (Continued)

Summarised statement of comprehensive income	廣州市品秀房地產開發有限公司		廣州市品悅房地產開發有限公司		廣州市品薈房地產開發有限公司	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Revenue	**–**	–	**–**	–	**–**	–
Loss for the period	**102,422**	–	**53,501**	–	**31,306**	–
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**102,422**	–	**53,501**	–	**31,306**	–
Loss allocated to NCI	**18,325**	–	**27,450**	–	**16,063**	–
Dividends paid to NCI	**–**	–	**–**	–	**–**	–

Summarised cash flows	廣州市品秀房地產開發有限公司		廣州市品悅房地產開發有限公司		廣州市品薈房地產開發有限公司	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Cash flows from operating activities	**2,685,848**	–	**118,193**	–	**(73,481)**	–
Cash flows from investing activities	**–**	–	**–**	–	**–**	–
Cash flows from financing activities	**(2,313,942)**	–	**(65)**	–	**(36)**	–
Net increase/(decrease) in cash and cash equivalents	**371,906**	–	**118,128**	–	**(73,517)**	–

45 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2019:

Significant related parties	Relationship with the Company
GYHL	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Guangzhou Metro	A shareholder
Yuexiu REIT	An associated entity
Guangzhou Jiachuang Economic Information Consulting Co., Ltd ("Guangzhou Jiachuang")	A subsidiary of an associated entity
杭州星日房地產開發有限公司("杭州星日")	An associated entity
廣州宏軒房地產開發有限公司("廣州宏軒")	An associated entity
廣州宏嘉房地產開發有限公司("廣州宏嘉")	An associated entity
廣州璟曄房地產開發有限公司("廣州璟曄")	An associated entity
成都人居興彭置業有限公司 ("成都人居")	A joint venture
濟南鵬遠置業有限公司 ("濟南鵬遠")	A joint venture
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	A fellow subsidiary
Guangzhou City Construction & Development Holdings Co.,Ltd. ("GCCD")	A fellow subsidiary
廣州越展資產經營管理有限公司("廣州越展")	A fellow subsidiary
廣州造紙集團有限公司("廣州造紙")	A fellow subsidiary
Guangzhou Securities Company Limited ("GSCL")	A fellow subsidiary
廣州資產管理有限公司 ("資產管理")	An associated entity of a fellow subsidiary
金鷹基金管理有限公司 ("金鷹")	An associated entity of a fellow subsidiary
廣州悦錦諮詢有限責任公司("廣州悦錦")	A subsidiary of an associated entity
深圳安創投資管理有限公司("深圳安創")	Entity with significant influence over the subsidiaries
桐鄉市安豪投資管理有限公司("桐鄉安豪")	Entity with significant influence over the subsidiaries
廣州聯衡置業有限公司("廣州聯衡")	Entity with significant influence over the subsidiaries
深圳聯新投資管理有限公司("深圳聯新")	Entity with significant influence over the subsidiaries
Guangzhou Hong Sheng Property Development Co., Ltd. ("GHPD")	Note

Note: GHPD was an associated company and has become a subsidiary since 6 June 2018.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

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

		2019 RMB'000	2018 RMB'000
(I)	Transactions with YXE		
	Rental expenses and property management fees	(28)	(2,390)
	Interest expense (note 9)	(69,574)	(128,785)
	Gain on foreign currency forward	3,635	–
	Addition of right-of-use assets	10,331	–
	Interest expense on lease liabilities	(405)	–
	Repayment of lease liabilities	(3,687)	–
	Acquisition of subsidiaries	(22,666,189)	–
(II)	Transactions with Yuexiu REIT		
	Gain on disposal of a subsidiary	–	48,356
	Tenancy service fees income	26,576	24,547
	Rental expenses	–	(75,941)
	Expense related to short-term leases	(27,592)	–
	Interest expense (note 9)	(19,983)	(23,000)
	Interest income (note 8)	–	18,354
	Fair value loss on supporting arrangement liabilities (note 7)	(32,318)	(22,736)
	Addition of right-of-use assets	175,997	–
	Interest expense on lease liabilities	(7,292)	–
	Repayment of lease liabilities	(69,046)	–
	Sales of investment properties	93,333	–
(III)	Transaction with CHB		
	Deposit interest income	23,375	14,065
	Rental income	12,418	11,177
	Interest expenses (note 9)	(4,908)	(1,982)
	(Loss)/gain on foreign currency forward	(17,566)	29,218
	Proceeds from management services	3,081	2,307
	Exchange gain/(loss) on bank deposits	22,728	(4,250)
(IV)	Transaction with 杭州星日		
	Interest income (note 8)	212,626	–
(V)	Transaction with 濟南鵬遠		
	Interest income (note 8)	4,238	2,424
(VI)	Transaction with 成都人居		
	Interest income (note 8)	7,495	–
(VII)	Transaction with GHPD		
	Interest income (note 8)	–	38,954

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

		2019 RMB'000	2018 RMB'000
(VIII)	Transaction with Guangzhou Metro		
	Interest expense (note 9)	**(133,935)**	–
	Management service income	**4,882**	–
(IX)	Transaction with 廣州宏軒		
	Interest expense (note 9)	**(3,098)**	–
(X)	Transaction with 廣州宏嘉		
	Interest expense (note 9)	**(6,312)**	–
(XI)	Transaction with 廣州璟曄		
	Interest expense (note 9)	**(4,171)**	–
(XII)	Transaction with GYHL		
	Interest expense (note 9)	**(20,634)**	–
(XIII)	Transaction with 深圳安創		
	Interest expense (note 9)	**(65,639)**	(134,059)
(XIV)	Transaction with 桐鄉安豪		
	Interest expense (note 9)	**(9,644)**	(1,598)
(XV)	Transaction with 深圳聯新		
	Interest expense (note 9)	**(39,984)**	(555)
(XVI)	Transaction with 廣州聯衡		
	Interest expense (note 9)	**(44,747)**	(58,390)
(XVII)	Transaction with GYFL		
	Rental income	**9,961**	10,136
(XVIII)	Transaction with 資產管理		
	Rental income	**8,197**	6,369
(XIX)	Transaction with 金鷹		
	Rental income	**8,594**	9,593
(XX)	Transaction with GSCL		
	Rental income	**1,868**	1,914

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2019 RMB'000	2018 RMB'000
(XXI) Transaction with GCCD		
Sales of investment properties	–	30,441
(XXII) Transaction with 廣州悦錦		
Disposal of a subsidiary	355,361	–
(XXIII) Transaction with Guangzhou Jiachuang		
Disposal of a subsidiary	–	2,697,544
(XXIV) Transaction with 廣州越展		
Addition of right-of-use assets	117,808	–
Interest expense on lease liabilities	(1,895)	–
Repayment of lease liabilities	(4,007)	–
(XXV) Transaction with 廣州造紙		
Addition of right-of-use assets	52,309	–
Interest expense on lease liabilities	(212)	–
Repayment of lease liabilities	(409)	–

The price of above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2019 RMB'000	2018 RMB'000
Amount due to ultimate holding company	(i), (ii)	**(182,512)**	–
Amount due to intermediate holding company	(i), (ii)	**(1,900,304)**	(1,500,000)
Amounts due from associated entities	(iii), (v)	**2,914,497**	9,880,716
Amounts due to associated entities	(ii), (vii)	**(9,594,294)**	(1,270,717)
Amounts due from joint ventures	(iv), (vi), (viii)	**4,563,486**	3,577,445
Amounts due to joint ventures	(i), (ii)	**(2,969,800)**	(3,318,814)
Amounts due from related companies	(i), (ii)	**47,241**	38,282
Amounts due to related companies	(i), (ii)	**(34,503)**	(34,422)
Amounts due to fellow subsidiaries	(i), (ii)	**(250,562)**	(286,534)
Amounts due to a shareholder	(ix)	**(7,538,621)**	–
Amounts due from entity with significant influence over the subsidiaries	(i), (ii)	**1,593,002**	3,232,700
Amounts due to entity with significant influence over the subsidiaries	(ii), (x)	**(204,554)**	(4,463,084)
Deposits in fellow subsidiaries	(xi)	**2,160,191**	924,875
Bank borrowing from a fellow subsidiary	(xii)	**(40,000)**	(83,526)
Lease liabilities to intermediate holding company	(xiii)	**(7,374)**	–
Lease liabilities to associated entities	(xiii)	**(132,823)**	–
Lease liabilities to a fellow subsidiary	(xiii)	**(172,224)**	–

Except for the amount due from an associated entity of approximately RMB54,610,000 (31 December 2018: RMB60,329,000), amounts due from joint ventures of approximately RMB106,298,000 (31 December 2018: RMB105,216,000), amount due to an associated entity of approximately RMB179,622,000 (31 December 2018: RMB168,985,000), amount due to a joint venture of approximately RMB56,735,000 (31 December 2018: RMB55,513,000), lease liabilities to intermediate holding company of approximately RMB7,374,000 (31 December 2018: nil), amount due to intermediate holding company of approximately RMB303,000 (31 December 2018: nil), and bank deposit in a fellow subsidiary of approximately RMB10,286,000 (31 December 2018: nil) which are denominated in HKD, bank deposit in a fellow subsidiary of approximately RMB1,836,000 (31 December 2018: nil) and amount due from an associated entity of approximately RMB627,858,000 (31 December 2018: nil) which are denominated in USD, other related party balances are denominated in RMB.

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 associated entities except for an amount of approximately RMB793,274,000 (31 December 2018: RMB6,237,335,000) which is included in other receivables, prepayments and deposits.

(iv) The balance is included in interests in joint ventures except for an amount of RMB103,186,000 (31 December 2018: RMB60,139,000) which is included in other receivables, prepayments and deposits.

(v) The balances are unsecured, interest free and receivable on demand (31 December 2018: an amount of approximately RMB7,371,000 is unsecured and interest bearing at 4.35% per annum).

(vi) The balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2018: RMB999,000) which is made for an amount due from a joint venture.

(vii) Except for an amount of approximately RMB223,617,000 (31 December 2018: RMB238,915,000) which is unsecured and interest bearing at 9% per annum (2018: 9% per annum), and an amount of approximately RMB480,626,000 (31 December 2018: nil) which is unsecured and interest bearing at 4.31% per annum, the remaining balances are unsecured, interest free and repayable on demand.

(viii) Except for an amount of approximately RMB73,312,000 (31 December 2018: nil) which is unsecured and interest bearing at 8.50% per annum, and an amount of approximately RMB28,013,000 (31 December 2018: RMB103,319,000) which is unsecured and interest bearing at 4.75% per annum (2018: 4.75% per annum), the remaining balances are unsecured, interest free and receivable on demand.

(ix) The balance of loan from a shareholder, Guangzhou Metro is approximately RMB7,076,856,000 as at 31 December 2019 (31 December 2018: nil), with an interest rate of 6.50% per annum. The balance is included in other payables and accrued charges. An amount of approximately RMB814,946,000 is repayable in 2023 and an amount of approximately RMB307,714,000 is repayable in 2020. The remaining balance is repayable on demand.

(x) Except for an amount of approximately RMB163,311,000 (31 December 2018: RMB 4,617,413,000), which is unsecured and interest bearing at 5.70% per annum (2018: weighted average rate of 6.51% per annum), the remaining balances are unsecured, interest free and receivable on demand.

(xi) These balances are deposits maintained with fellow subsidiaries on normal commercial terms.

(xii) These balances are unsecured and interest bearing at 5.23% per annum (2018: 5.22% per annum).

(xiii) The Group leases office premises from an intermediate holding company and an associated entities and a fellow subsidiary. The monthly rents payable by the Group during the leasing terms are determined with reference to the prevailing market prices.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

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

	2019 RMB'000	2018 RMB'000
Fees	**1,076**	931
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**29,096**	29,635
Pension costs	**165**	224
	30,337	30,790

(e) Received guarantees

(i) GYHL provides corporate guarantee for the bond of Guangzhou City Construction & Development Co. Ltd ("GZCC"), a subsidiary of the Group, amounted to RMB13,966 million as at 31 December 2019 (31 December 2018: RMB9,477 million).

(ii) GYHL provides corporate guarantee for bank loan of Kangjing Company, a subsidiary of the Group, amounted to RMB2,000 million as at 31 December 2019 (31 December 2018: RMB1,155 million).

(iii) GYHL provides corporate guarantee for bank loan of Suzhou Shenyi Property Development Co., Ltd, a subsidiary of the Group, amounted to RMB200 million as at 31 December 2019 (31 December 2018: RMB300 million).

(iv) GCCD provides corporate guarantee for bank loan of Guangzhou City Construction & Development Group Nansha Co. Ltd, a subsidiary of the Group, amounted to RMB90 million as at 31 December 2019 (31 December 2018: RMB136 million).

(v) GCCD provides corporate guarantee for other loan of Wuhan Kangjing Industrial Investment Co.,Ltd., a subsidiary of the Group, amounted to RMB16 million as at 31 December 2019 (31 December 2018: RMB136 million).

(f) Provision of guarantees

The Group provides guarantee for the borrowing of associated entities and joint ventures, see note 41.

46 SUBSEQUENT EVENT

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

47 COMPANY BALANCE SHEET

	2019 RMB'000	2018 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,303	5,284
Right-of-use assets	6,889	–
Investment properties	12,639	11,566
Interests in subsidiaries	38,982,531	33,882,116
Interest in associated entities	19,266	19,253
Derivative financial instruments	65,179	9,069
	39,093,807	33,927,288
Current assets		
Other receivables, prepayments and deposits	2,183	2,095
Dividend receivables	6,837,831	4,572,831
Cash and cash equivalents	1,571,408	742,266
	8,411,422	5,317,192
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	5,021,278	4,293,458
Amounts due to an intermediate holding company	1,900,295	1,499,992
Other payables and accrued charges	233,969	218,377
Borrowings	1,557,590	131,489
Lease liabilities	3,791	–
	8,716,923	6,143,316
Net current liabilities	(305,501)	(826,124)
Total assets less current liabilities	38,788,306	33,101,164

47 COMPANY BALANCE SHEET (Continued)

	2019 RMB'000	2018 RMB'000
Non-current liabilities		
Amount due to a subsidiary	**19,561,891**	17,462,961
Borrowings	**133,298**	1,972,123
Lease liabilities	**3,258**	–
	19,698,447	19,435,084
Net assets	**19,089,859**	13,666,080
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**18,035,015**	12,759,402
Shares held under share award scheme	**(81,577)**	(55,220)
Reserves (note)	**1,136,421**	961,898
Total equity	**19,089,859**	13,666,080

On behalf of the Board

Lin Zhaoyuan
Director

Lin Feng
Director

47 COMPANY BALANCE SHEET (Continued)

Note:

Reserves

	Hedging RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2019	(834)	962,732	961,898
Profit for the year	–	1,555,559	1,555,559
Gains on cash flow hedges	31,374	–	31,374
Costs of hedging	7,597	–	7,597
Hedging losses reclassified to profit or loss	12,664	–	12,664
Dividends paid	–	(1,432,671)	(1,432,671)
At 31 December 2019	50,801	1,085,620	1,136,421

	Hedging RMB'000	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

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2019, 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
			2019		2018		
			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

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
			2019		2018		
			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	–	100	–	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

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB500,000,000	–	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 RMB100,000,000	–	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

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
GZ City Construction & Development Grandcity Parking Property Management Co. Ltd.	China, limited liability company	Registered capital RMB2,730,600	–	99.06	–	99.06	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	–	100	–	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	–	95	–	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	–	95	–	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares (HKD2)	100	–	100	–	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	–	95	–	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	–	95	–	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	–	95	–	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	–	95	–	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	–	95	–	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	–	95	–	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	–	95	–	95	Property development

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
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
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

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 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
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
Intellect Aim Management Ltd.	British Virgin Islands	1 Ordinary share of USD1 each	–	100	–	100	Financing
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
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

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 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	–	100	–	100	Property development
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
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 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

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	–	100	–	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	–	100	–	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	–	100	–	100	Investment holding
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	–	47.5	–	47.5	Property development
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	–	48.45	–	48.45	Property development
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	–	100	–	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital HKD1,220,810,000	–	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

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
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
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
廣州市悅冠智能科技有限公司	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

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 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
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
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

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
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
杭州樾燊投資管理合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	–	99	–	99	Investment consulting
青島合勝投資合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	–	99	–	99	Property investment
江門市群輝實業投資中心(有限合夥)	China, partnership	Registered capital RMB10,000	–	99	–	99	Investment holding
廣州耀維實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Metal manufacturing
廣州中璟慧富房地產開發有限公司	China, limited liability company	Registered capital RMB4,160,000	–	95	–	95	Property development
杭州燚樂實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
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
杭州松炬實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property investment

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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
杭州燊熠實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property investment
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
廣州越登實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
江門越佳房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.40	–	95.40	Property development
青島宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.12	–	95.12	Property development
杭州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95.04	–	95.04	Property development
舟山宏智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Information consulting
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 RMB540,000,000	–	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
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

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 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
杭州東日經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Information consulting service
杭州春焱實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property investment
廣州鉅熹經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Commercial services
廣州裕永投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	–	100	–	100	Commercial services
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	–	48.69	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

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 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
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
廣州雋景一號房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	–	**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**	–	50.91	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**	–	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	–	**95**	–	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**	–	51	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
蘇州燊熠房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	95	–	95	Property development
廣州雋越房地產開發有限責任公司	China, limited liability company	Registered capital RMB2,000,000,000	–	95	–	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	–	99.5	Property development
廣州越欣房地產開發有限責任公司	China, limited liability company	Registered capital RMB400,000,000	–	48.45	–	–	Property development
廣州市品秀房地產開發有限公司	China, limited liability company	Registered capital RMB6,343,780,000	–	82.11	–	–	Property development
廣州綠楨房地產開發有限公司	China, limited liability company	Registered capital RMB400,000,000	–	38.23	–	–	Property development
廣州宏耀房地產開發有限公司	China, limited liability company	Registered capital RMB900,000,000	–	62.06	–	–	Property development
廣州市暉邦置業有限公司	China, limited liability company	Registered capital RMB1,633,000,000	–	47.74	–	–	Property development
廣州雋業房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95.55	–	–	Property development
佛山市南海區越匯房地產開發有限公司	China, limited liability company	Registered capital RMB2,700,000,000	–	95	–	–	Property development
青島康景實業有限公司	China, limited liability company	Registered capital RMB842,011,262	–	100	–	–	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
廣州市潤意房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	–	47.5	–	–	Property development
杭州金鉦房地產開發有限公司	China, limited liability company	Registered capital RMB350,000,000	–	95	–	–	Property development
杭州越星房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	95	–	–	Property development
杭州杭秀房地產開發有限公司	China, limited liability company	Registered capital RMB1,500,000,000	–	100	–	–	Property development
成都越嘉房地產開發經營有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	–	Property development
廣州南方智媒產業園有限公司	China, limited liability company	Registered capital RMB100,000,000	–	48.69	–	–	Property development
廣州越冠房地產開發有限公司	China, limited liability company	Registered capital RMB100,000	–	95	–	–	Property development
青島雲耀實業有限公司	China, limited liability company	Registered capital RMB167,843,754	–	100	–	–	Property development
杭州鉦杭房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	95	–	–	Property development
廣州越榮房地產開發有限公司	China, limited liability company	Registered capital RMB3,490,000,000	–	95.48	–	–	Property development
廣州敏秀房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	–	62.06	–	–	Property development
廣州市品悅房地產開發有限公司	China, limited liability company	Registered capital RMB622,600,000	–	48.69	–	–	Property development
廣州市品薈房地產開發有限公司	China, limited liability company	Registered capital RMB737,860,000	–	48.69	–	–	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2019		2018		
			Direct	Indirect	Direct	Indirect	
廣州市從化區越恒房地產開發有限公司	China, limited liability company	Registered capital RMB720,000,000	–	95.48	–	–	Property development
中山越佳房地產開發有限公司	China, limited liability company	Registered capital RMB1,010,000,000	–	95	–	–	Property development
蘇州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	–	45.6	–	–	Property development
廣州越東房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	–	95.48	–	–	Property development
廣州越合通房地產開發有限公司	China, limited liability company	Registered capital RMB60,000,000	–	48.69	–	–	Property development
廣州越創智數信息科技有限公司	China, limited liability company	Registered capital RMB8,000,000	–	95	–	–	Commercial services
廣州悦秀智訊科技信息諮詢有限公司	China, limited liability company	Registered capital RMB8,000,000	–	95	–	–	Commercial services
長沙康盛房地產開發有限公司	China, limited liability company	Registered capital RMB2,000,000	–	95	–	–	Property development

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

GROUP STRUCTURE

PRINCIPAL JOINT VENTURES

As at 31 December 2019, the Group held shares/interests in the following principal joint ventures:

Name of joint ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/ profit sharing 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
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
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	–	28.64	Property development
蘇州嶼秀房地產開發有限公司	China	16.50	–	15.68	–	15.68	Property development
湖北宏秀房地產開發有限公司	China	30	–	28.50	–	28.50	Property development
武漢崇鴻裕業房地產開發有限公司	China	15	–	14.25	–	14.25	Property development
濟南鵬遠置業有限公司	China	40	–	38	–	38	Property development
江門市濱江房地產開發投資有限公司	China	50	–	47.50	–	47.50	Property development
廣州廣宏房地產開發有限公司	China	40	–	38.19	–	–	Property development
江門市濱江置業房地產開發經營有限公司	China	50	–	47.50	–	–	Property development
江門市越通房地產開發有限公司	China	51	–	48.45	–	–	Property development
成都人居興彭置業有限公司	China	45	–	42.75	–	–	Property development

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2019, 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
		2019		2018		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong	–	38.10	–	36.12	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
廣州璟曄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	–	49.08	–	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	–	13.63	Property development
濟南元賀置業有限公司	China	–	23.51	–	23.51	Property development
廣州市越匯房地產有限公司	China	–	31.45	–	31.45	Property development
中山市華越宏軒置業發展有限公司	China	–	46.55	–	–	Property development

Note (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 has significant influence over these entities.

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

www.yuexiuproperty.com

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