



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123

WHERE GOOD  
LIVING STARTS  
ANNUAL REPORT 2020



GUANHU STATION

XIANGXUE STATION

SHUOXI NORTH STATION

CHENTOU GANG STATION

ZHENLONG STATION



晶秀星图 YUE GALAXY

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# CORPORATE STRUCTURE

As at 31 December 2020

**GUANGZHOU YUE XIU  
HOLDINGS LIMITED**

**100**  
%

**YUE XIU ENTERPRISES  
(HOLDINGS) LIMITED**

**39.78**  
%

**YUEXIU PROPERTY  
COMPANY LIMITED**

(Stock Code: 00123)

**38.04**  
%

**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) (repaid in full on 27 April 2020)  
U.S.\$650,000,000 2.80 per cent. Notes due 2026  
(Code: 40457)  
U.S.\$150,000,000 3.80 per cent. Notes due 2031  
(Code: 40458)

Shanghai Stock Exchange

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)  
RMB1,500,000,000 3.13 per cent. Corporate Bonds  
due 2025 (20 穗建 01 Code: 163304)

## INVESTOR RELATIONS

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

# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT HIGHLIGHTS

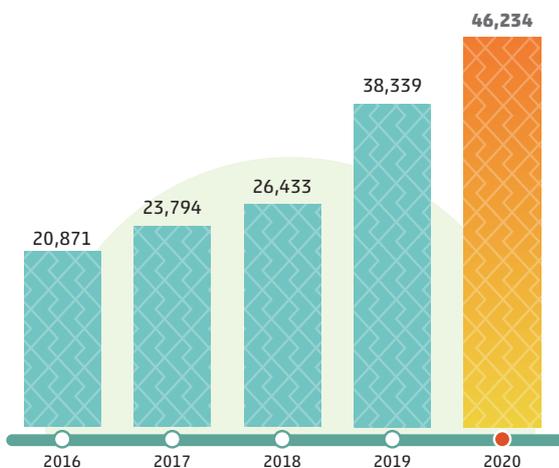
RMB'000	For the year ended 31 December				
	2020	2019	2018	2017	2016
Revenue	46,234,259	38,339,112	26,433,444	23,793,908	20,871,021
Gross profit	11,626,088	13,117,387	8,392,922	6,108,107	4,339,601
Profit attributable to equity holders - from continuing operations	4,247,860	3,483,351	2,727,885	2,260,242	1,540,154
Basic earnings per share - from continuing operations (RMB)	0.2744	0.2410	0.2200	0.1823	0.1242

## BALANCE SHEET HIGHLIGHTS

RMB'000	As of 31 December				
	2020	2019	2018	2017	2016
Total cash (including cash, cash equivalents and charged bank deposits)	37,307,969	30,189,370	27,159,262	20,794,411	22,021,982
Total assets	263,196,000	234,697,255	168,820,498	133,142,511	125,364,916
Total assets less current liabilities	131,610,541	127,779,621	96,191,429	80,945,660	72,438,260
Shareholders' equity	43,747,657	40,723,508	33,826,567	32,385,638	30,623,986
Shareholders' equity per share (RMB)	2.826	2.630	2.728	2.611	2.469

## REVENUE

(RMB million)



## GROSS PROFIT

(RMB million)



## FINANCIAL HIGHLIGHTS

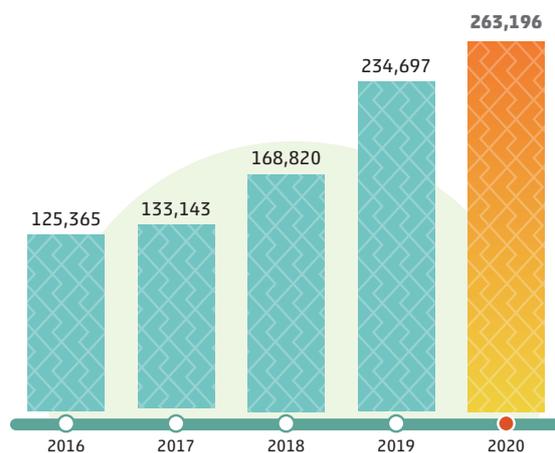
### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



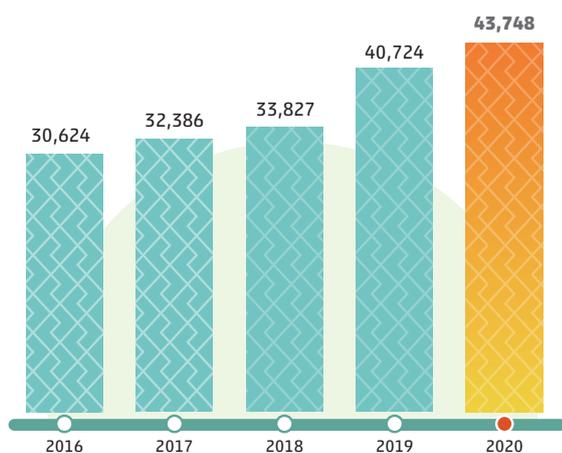
### TOTAL ASSETS

(RMB million)



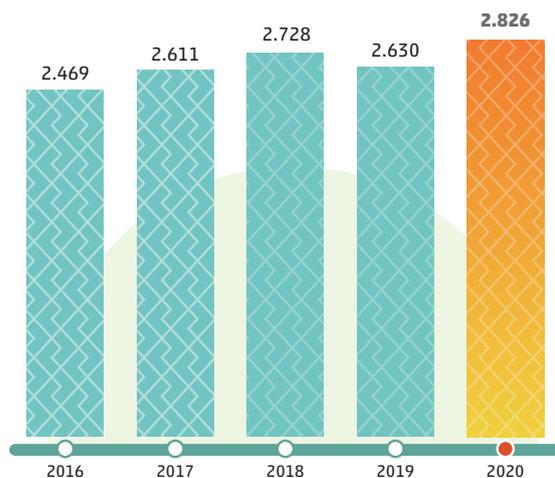
### SHAREHOLDERS' EQUITY

(RMB million)



### SHAREHOLDERS' EQUITY PER SHARE

(RMB)



## KEY EVENTS OF THE YEAR

01

The contracted sales value of the Group hit another record high with approximately RMB95.76 billion, representing a year-on-year increase of 32.8%, which exceeded the full year contracted sales target of RMB80.2 billion, staying at a leading position in the industry in terms of target achievement.

02

The Group newly entered two top-tier cities of Chongqing and Nanjing and thus further consolidated its strategic layout in Southwestern China and Eastern China. As such, the Group has expanded into 21 cities nationwide, and continuously optimized the Group's "1 + 4" regional layout which deepened Greater Bay Area-rooted strategy and prioritize developments in Eastern China, Central China, Northern China and Southwestern China.

03

The Group innovated "Residential + Government Projects" model to acquire four premium residential projects with the terms of constructing government projects, which realized a good balance between corporate growth and corporate social responsibility.

04

The Group acquired two TOD projects of Guangzhou Yue Fantasy (廣州星樾山畔) and Guangzhou TOD Town (廣州星匯城), obtaining a total of five TOD projects within two years. With iterative upgrade of TOD model and establishment of the TOD institute to conduct research and development of standard technology, our TOD model became more matured, which promoted the Group's deep penetration into Greater Bay Area and even nationwide under TOD model.

05

The Group acquired 67% equity interest of Guangzhou Metro Environmental Engineering and its property management subsidiary, which brought new GFA under management of over 5 million sq.m. to our property management companies, making our property management companies become one of the few compound property management companies with "Metro Environmental Engineering Maintenance + Metro Property Management Operation Service", thus further enhancing the core competitiveness.



06

The "Three Red Lines" indications of the Group were in green lights, with gearing ratio (excluding unearned revenue) of 69.2%, net gearing ratio of 47.5% and cash to short-term debt ratio of 2.25 times. With diverse financing channels, the Group continued to optimize its debt structure and successfully issued onshore corporate bonds of RMB1.50 billion with a coupon rate of 3.13% for a term of 3+2 years.

07

The Group's operating capabilities and achievement was recognized. CLSA, Industrial Securities and CICC covered the Group with initial rating of "Buy" or "Outperform". CICC and CCB International ranked the Group as "Top Pick" of mid-cap stock, which effectively promoted the attention and recognition of capital market to the Group.

08

By virtue of sound and stable asset liability position, the Group's rating was maintained as Investment Grade with Stable Outlook by Moody's and Fitch, being international credit rating agencies, which aided the Group to obtain lower funding cost in the capital market.

09

The Group withstood the pandemic with various measures. The Group promptly assumed its responsibility as a state-owned enterprise, donated RMB10 million to the Red Cross Society of Wuhan to support front-line health care workers and the public. Meanwhile, for all our business segments, the Group actively responded to summon of pandemic prevention and control, and organized employees' work and production resumption in an orderly and safe manner, provided effective pandemic prevention for property owners, tenants and employees and launched "Assisting Businesses Actions Scheme" (暖商行動計劃) such as extending decoration period and cancelling progressive rental increase.

10

The Group actively explored digitalized operation to overcome adverse impact from the pandemic and launched "Yuexiu Fangbao" (越秀房寶) program with functions such as "VR House Viewing", "Errand House Viewing" and "Live House Viewing", which provided first-hand information of our projects to the buyers and boosted the sales performance of the Group.





# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT



MR LIN ZHAOYUAN

CHAIRMAN

## I. BUSINESS REVIEW

### Economic and Market Environment

In 2020, the global outbreak of the COVID-19 pandemic battered global economic growth, and the world's major developed economies experienced severe negative growth as a result of the continuing recurring outbreak of the COVID-19 pandemic and a rapid economic recession. Economic growth in emerging markets and developing countries also plunged. China's economy was also wrecked by the COVID-19 pandemic, with its gross domestic product (GDP) showing a negative growth of 6.8% in the first quarter and major economic indicators fell sharply. However, with rapid response and effective controls of COVID-19 pandemic since the second quarter, the resumption in work and production to normal accelerated, and the declines in consumption and investment continued to narrow. The economy's recovery continued. The governments at all levels bolstered their support for both fiscal and monetary policies, and the stimulus

effect of macroeconomic policies was remarkable. During the pandemic, rapid development in the digital economy, smart economy, online network economy, and other new economic forms supported recovery in macroeconomic growth. Since the second quarter, China's economic growth has shifted from negative to positive, with positive growth of 2.3% for the full year, making it the only major economy in the world to achieve positive economic growth.

In 2020, the domestic property market in the first quarter was basically frozen due to the impact from COVID-19 pandemic. Since the second quarter, with significant relief measures and effective controls of the domestic pandemic, the property markets in different regions have recovered gradually. The transactions of property market became progressively active; and major indicators, such as property investment and sales, gained remarkable improvement. In the second half of the year, the property market began to rebound strongly, and the rigid housing demand accumulated during the pandemic was quickly released, and the commodity housing contracted sales value was approximately RMB17.4 trillion, representing a year-on-year increase of 8.7%, of which the contracted sales value of residential housing increased 10.8%. The GFA of commodity housing sales was approximately 1.76 billion sq.m., representing a year-on-year increase of 2.6%. The property market has gathered momentum towards signs of a strong recovery, acting as a pillar role for the recovery of the national economy.

In 2020, property regulatory policies were based on "housing for living instead of speculation" and "region-specific regulatory policies", and for "stabilising land prices, housing prices, and expectation". Due to the impact of the COVID-19 pandemic, the property market went from weak to strong. The land market performance was fundamentally similar to that of the property market. The land market was basically stagnant in the first quarter, while in the second quarter, with significant rebound in the property market and substantial increase in land supply, the land transaction market became active and the transaction volume increased significantly. Especially, premium lands in tier-1 and tier-2 cities with sound economic fundamentals were in short supply, which results in a fierce competition and relatively high land premiums. In 2020, property developers acquired lands with an area of approximately 260 million sq.m. and the aggregate value of land transactions was RMB1.7 trillion, representing a year-on-year increase of 17.4%.

### Continuing and Steady Growth in Operating Results

In 2020, the Group centered on the annual work theme of "improving efficiency by optimising structure and driving development by operation" to neutralize the COVID-19 pandemic's impacts. The Group won the battle against the pandemic by insisting on both epidemic prevention and operation, and achieved a solid increase in operating results.

During the full year of 2020, the Group realised revenue of approximately RMB46.23 billion, representing a year-on-year increase of 20.6%. Gross profit margin was approximately 25.1%, representing a year-on-year decrease of 9.1 percentage points. Profit attributable to equity holders was approximately RMB4.25 billion, representing a year-on-year increase of 21.9%. Core net profit was approximately RMB4.02 billion, representing a year-on-year increase of 14.6%. Unrecognised sales value as of 31 December 2020 was approximately RMB119.62 billion, representing an increase of 35.1% comparing with the beginning of the year.

The Board recommended to declare a final dividend for 2020 of HKD0.063 per share (equivalent to RMB0.053 per share), together with the interim dividends, total dividends for the full year of 2020 was HKD0.120 per share (equivalent to RMB0.104 per share), representing a year-on-year increase of 17.6% in terms of HKD.

## CHAIRMAN'S STATEMENT

### Contracted Sales Hit Record High with a Rapid Growth

In response to the huge impact brought on by the COVID-19 pandemic to the property market, the Group strove to neutralise the impact of the pandemic by proactively adopting effective response measures, accelerating resumption of work and production and ensuring adequate supply. By innovating sales methods, the Group actively promoted integrated marketing online and offline. The contracted sales maintained rapid growth for the full year, hitting a new high in contracted sales value. The Group recorded a contracted sales value (including contracted sales by joint venture projects) of approximately RMB95.76 billion, representing a year-on-year increase of 32.8%, and achieved 119.4% of the full year sales target of RMB80.2 billion. The average selling price was approximately RMB25,200 per sq.m., representing a year-on-year increase of 21.7%.

The Group implemented the Greater Bay Area market cultivation strategy, and the contracted sales in the Greater Bay Area reached a new level. The contracted sales value of the Greater Bay Area amounted to approximately RMB63.66 billion for the full year, accounting for approximately 66.5% of the total contracted sales value of the Group. The contracted sales value in Guangzhou, the headquarter of the Group, achieved rapid growth in contracted sales, hitting a record high again, and achieving contracted sales approximately RMB55.79 billion, representing a year-on-year increase of 52.4% and accounting for approximately 58.3% of the total contracted sales value of the Group. The Group's contracted sales in Guangzhou ranked second, while in Nansha, Guangzhou, its contracted sales and growth rate maintained a steady first place in Nansha for three consecutive years.

The Group further implemented the "1+4" national strategic layout, which guided it to continue expanding into Eastern China Region, Central China Region, Northern China Region and Southwestern China Region in addition to deepening penetration of the Greater Bay Area. The scale of sales in Eastern China Region recorded a new high for the full year, with the contracted sales value of approximately RMB19.92 billion, representing a year-on-year increase of 18.0%. Central China Region actively responded to the severe challenges of the pandemic, to reduce the impact of the pandemic on sales, and achieved the contracted sales value of approximately RMB6.84 billion, of which the contracted sales value in Changsha was approximately RMB2.89 billion. Both the Northern China Region and the Southwestern China Region achieved satisfactory sales results, with contracted sales value amounting to approximately RMB4.28 billion and RMB1.06 billion, respectively.

### Increase High-quality Landbank through Diversified and Unique Channels

Through a diversified and unique model of increasing landbank, the Group acquired 22 new parcels of lands in Guangzhou, Foshan, Jiangmen, Hangzhou, Suzhou, Nanjing, Qingdao, Yantai, Jinan, Chongqing and Chengdu, respectively for the full year at a lower premium, with a total GFA of approximately 5.6 million sq.m. and an attributable GFA of approximately 3.29 million sq.m.. The Group improved and upgraded our "6+1" land acquisition model with TOD, urban renewal, "Residential + Government Projects", cooperation with SOEs, mergers and acquisitions, industry-driven acquisition and open market auction, enhancing our land acquisition ability. The Group has developed an innovated "Residential + Government Project" model, and acquired 4 premium land parcels in Guangzhou such as Guangzhou Grand Mansion (廣州和樾府) (previous name: Guangzhou Panyu Changlong South Land), increasing the landbank of approximately 1.41 million sq.m.. The model of cooperation with SOEs continued to be optimised, with land acquisition of approximately 0.58 million sq.m.. The land acquisition through non-open-market accounted for 54.1% by GFA, with 18.5% of TOD, 25.2% of "Residential + Government Projects" and 10.4% of cooperation with SOEs. The Group acquired new lands in a diversified manner and the land costs were effectively controlled.

By the end of 2020, the total landbank of the Group amounted to approximately 24.54 million sq.m. located in 21 cities in China, which can meet the Group's development for the next three to five years. The Group continued to increase prime landbank in the Greater Bay Area, and as at the end of 2020, the total landbank in the Greater Bay Area and Guangzhou amounted to approximately 13.53 million sq.m. and 11.43 million sq.m., accounting for approximately 55.1% and 46.6% of the total landbank.

### Further Progress of "Railway + Property" Strategy

In 2020, the Group successfully acquired two TOD projects, Guangzhou Yue Fantasy (Shuixi Project) and Guangzhou TOD Town (Zhenlong Project), with GFA of 1.03 million sq.m.. As at the end of 2020, the Group's TOD projects were located in three areas of Guangzhou, i.e. Huangpu, Zengcheng and Panyu, the total landbank for TOD projects reached 3.88 million sq.m., accounting for approximately 28.7% of the landbank in the Greater Bay Area and 15.8% of the Group's total land bank.

The Group's TOD projects continued to achieve strong sales, with a total contracted sales value of approximately RMB17 billion for the full year, representing a year-on-year increase of 236.6%. Among these projects, Guangzhou Yue Melody achieved contracted sales value of approximately RMB7.53 billion, and its sales value ranked first in Huangpu District, and the top three in Guangzhou, with a steady growth in selling price. The contracted sales value of Guangzhou Yue Galaxy in 2020 was approximately RMB2.93 billion with a growth both in sales volume and selling price and the project became the benchmark in Zengcheng District, Guangzhou. The contracted sales value of Guangzhou Yue Infinity was approximately RMB2.99 billion, with a steady growth on selling price. Guangzhou Yue Fantasy and Guangzhou TOD Town, which were acquired in the fourth quarter of 2020, achieved contracted sales value of approximately RMB1.25 billion and RMB2.32 billion respectively, with new launch sell-through rate of 80% and 100% respectively.

The "Railway + Property" strategy was an important part of the Group's development strategies, and an important support for the Group to achieve strategic planning. The Group has become one of the largest TOD property developers in China. This distinctive railway property development business will support the continuous growth for the Group.

### Steady Development of Commercial Properties

Upholding the strategy of "Coordinated Development of Both Residential and Commercial Properties", the Group comprehensively expanded its commercial properties, healthcare, property management and education related businesses, and its business operating capabilities continued to grow. The Group continued to improve the development model of "development + operations + securitisation" by taking advantage of the unique dual platform of "Yuexiu Property-Yuexiu REIT". In 2020, in response to the sudden outbreak of COVID-19 pandemic, the Group took effective measures and introduced customer assistance and rental reduction policies to quickly overcome the adverse effects brought upon its business operations by the pandemic. The Group actively innovated and adjusted its operating methods across various business segments, flexibly implemented operational strategies, innovated channels, optimised customer structures, increased income and reduced expenditures, implemented strict management, and effectively controlled operating costs, which resulted in stable operations. The office building segment still recorded a growth amid adversities. The Group's Guangzhou Yuexiu Financial Tower located in Zhu Jiang New Town, Guangzhou recorded a high occupancy rate of approximately 94% at the end of the year, and a rental income for 2020 of approximately RMB0.37 billion, slightly higher than that of last year. The Group recorded a rental income of approximately RMB0.6 billion. Yuexiu REIT, which the Group holds 38.04% interest, recorded a revenue of approximately RMB1.76 billion in 2020.

## CHAIRMAN'S STATEMENT

### Safe and Sound Financial Positions

As at the end of 2020, cash and cash equivalents and charged bank deposits for the Group amounted to approximately RMB37.31 billion, which was an increase of 23.6% comparing with the beginning of the year, and the Group's liquidity is sufficient; the net gearing ratio was 47.5%, significantly decreased by 26.5 percentage points comparing with the beginning of the year. The selling, general and administrative ratio stayed at a healthy level. The major financial indicators were healthy and sound, and financial risks were effectively controlled.

The Group actively expanded financing channels, strengthened capital management, improved capital utilisation efficiency, and continued to reduce funding costs. In 2020, the average borrowing interest rate for the Group decreased by 31 bps to 4.62%. The Group successfully issued onshore corporate bonds of RMB1.50 billion with a coupon rate of 3.13% for a term of 3+2 years. The Group proactively explored other financing channels, such as supply chain financing, which helped to optimise debt maturity portfolio and debt structure. The Group continued to maintain its investment grade credit ratings of Moody's and Fitch.

The Group has well balanced the needs between liquidity safety and sustainable and stable development. Under the circumstance that the government tightened the regulatory environment for the real estate industry, the Group maintained financial stability and sufficient cash flow. The Group put great emphasis on the cash collection rate and further improved sales performance. At the same time, the Group rationally arranged domestic and overseas financing and expanded financing channels, making our leading position on financing cost in the industry. The "Three Red Lines" indications of the Group were in green lights, with gearing ratio (excluding unearned revenue), net gearing ratio and cash to short-term debt ratio, being one of the few property developers in China that no breach all three indicators.

### Improvement in Operation Management and Control Systems

The Group insisted on its operational concept of "quality product, quality service, quality brand, excellent team" and continued to improve the organisational management and control system in light of the continuous growth in the development scale. The Group comprehensively optimized the 3.5-level operational management and control system, refined its headquarters, strengthened regions, and well managed its projects. The Group strengthened production strategy, designed the operational system, optimized product standard system and project management system, and constructed specialized TOD product line and service system. Guided by both strategy and performance, the Group strengthened external introduction and internal training for key talents to establish a talent bank. External advanced talents introduced accounted for approximately 30% of medium and senior management of the Group. The Group employed nearly 100 excellent college graduates per year during the past 3 years, and continuously sent various types of excellent talents to important occupations by multilevel internal training plans (namely Hummingbird, Sea Swallow, Swan and Roc), making them the solid power of the development of the company. The Group implemented competitive incentive scheme, linking annual salary, performance bonus and professional bonus to its performance result. Meanwhile, the Group optimized its implementation of project co-investment mechanism and the share incentive scheme for key employees. The combination of both short term and long term incentives have remarkably promoted the staff initiatives and supported the sustainable growth of the Group.

### Sustainable Development (ESG)

The Group followed sustainable development strategy. Since 2010, the Group has consecutively published corporate social responsibility/environmental, social and governance (ESG) report for 10 years. The Group was elected as the constituent stock of Hang Seng Corporate Sustainable Index (HSSUS) series for two consecutive years and remained A level, which represented one of the benchmarks of sustainable development of companies listing on Hong Kong Stocks and showed highly recognition from society to the performance of the Group in fields of sustainable operation development, environmental, social and corporate governance. In 2020, China's economic and social living were greatly impacted by COVID-19 pandemic. The Group assumed its social responsibility, proactively donated RMB10 million to red cross society of Wuhan which was most significantly impacted by pandemic, and launched "Six Measures for Assisting Businesses" (六大暖商) activity that reduced or exempted rental to micro-, small- and medium-sized enterprises which were relatively significantly affected by pandemic, thereby joining our tenants in fighting the pandemic. Furthermore, the Group actively participated in poverty alleviation and study aid activities.

## II. BUSINESS OUTLOOK

Looking forward to 2021, the recovery of global economy and stability of financial market will still face large uncertainties as the COVID-19 pandemic has not yet been effectively controlled throughout the world. Global trade and investment transaction will still be constrained due to the continuous pandemic and trade protectionism. After new administration of USA came to power, it is expected that Sino-US relations will gradually improve, but still be tested by uncertainties. UK's hard Brexit and the World's geopolitical problems will pose enormous potential risks to the global economy's growth. Meanwhile, in response to the situation of strict prevention and control of COVID-19 pandemic across the world and the instability of recovery of global economy, countries around the world have adopted quantitative easing policies, which will be beneficial to the recovery of global economy and stability of market. Although China firstly controlled the pandemic and became the only major economy that realized positive growth in the world last year, the variation of current global pandemic and numerous uncertainties from external environment cause the foundation of China's economy recovery to be unstable. Global economic recovery is still complicated and challenging, and there is still potential risk to continuous recovery of China' economy. In 2021, stabilising economic growth will remain to be the main goal of economic work. The Chinese government is expected to continue to intensify its efforts to stabilise macroeconomic growth, keep the continuity, stability and sustainability of macroeconomic policies, speed up construction of new development pattern that focuses on domestic cycle, and domestic and international cycles synergize with each other, so as to keep stable and sustainable growth of economy.

In 2021, it is expected that the government's regulatory policies will remain stable by consistently focusing on positioning "housing for living instead of speculation", along with region-specific regulatory policies that precisely regulate the property and will not use the real estate industry as short-term economic stimulus, and continue to refine long-term property mechanisms. Each local government will implement region-specific policies in consideration of local situation, carry out the main responsibilities of each city, and keep the stable development of property industry and market.

## CHAIRMAN'S STATEMENT

It is anticipated that under the tightened control on China's property market, both rigid and improved demand will still dominate the overall market, and the total market transaction volume will remain stable with limited increase in price. The market performance will still show obvious differentiation and intensified competition, and the market concentration will keep increasing. The demand in megalopolis and metropolitan areas including the Greater Bay Area and the Yangtze River Delta remains strong with better market performance. The government will implement region-specified measures which will enhance land supply, but incline to big cities and policy-supported, and leasing houses. The demand for land in tier-1 and tier-2 cities will still exceed supply, but the overall market is expected to gradually become reasonable. The government will strengthen funding supervision for property developers. "Three red lines" and loan concentration management of financial institutions will result in a tightened domestic financing environment for property developers, with different effect on different property developers.

### Achieving Various Annual Operation Targets

2021 is the beginning year of "14th Five-Year" plan, the Group will adhere to the theme of "improving structure and opening new beginning, strengthening ability and improving quality" and grasp any opportunities in the market to achieve the annual sales and various operating goals it has set. In terms of sales, the Group will seek to achieve full year sales target and cash collection rate by formulating sales strategies based on the "one city, one policy", ensuring supplies, sales, and cash collections, as well as speeding up sales of TOD projects and cash collections. In terms of operations, the Group will accelerate project development and asset turnover to ensure that projects are delivered and completed as scheduled and help improve profitability.

### Solidify "6+1" Diversified and Unique Land Acquisition Platforms

The Group will continue to reinforce "6+1" distinctive and diversified land acquisition platforms and increase premium landbank, laying a foundation for stable development. The Group will increase its strategic cooperation with Guangzhou Metro Group and improve the "Railway+Property" unique land acquisition model, looking to continually increase premium TOD projects landbank. As a state-owned enterprise, the Group will strengthen cooperation with various types of state-owned enterprises to acquire quality landbank. The Group targets to become the leader of redevelopment of Guangzhou old villages, old cities, and old factories, actively promote the renewal and reconstruction of Lirendong Village, Guangzhou and Dongliu Village, Nansha as planned. The Group will actively promote "Residential + Government Projects" model for increasing landbank, aiming at obtaining premium landbank with relatively low price and managing cash flow effectively by building supplementary construction. The Group will introduce internal industrial resources and external industrial resources to strengthen new model of land acquisitions. The Group will conduct more research into market acquisition opportunities as convincing support for the Group to increase premium landbank. In terms of open land market competition, the Group will insist on prudent investment principle, fully study market and industry cycles, optimise structures, increase standards and fine layouts with regard to open market acquisitions, and focus on acquiring projects with fast turnover rate. For investment region layouts, the excellent "1+4" national layout strategy will enable the Group to focus on investing in the Greater Bay Area, and allocate reasonable investment resources in other regions.



### Steady Enhancements in Commercial Operations

In 2021, internal circulation will be strategically speeded up due to continuous effect of macroeconomic policies, constant strengthening of tertiary industries growth momentum and continuous growth of new momentum in industries including financial industry and technology industry, thus the growth of consumption will become the major impetus of economic growth in 2021. The Group will optimise and upgrade the development strategy of "Coordinated Development of Both Residential and Commercial Properties", and emphasize on improving both the capacity and efficiency in commercial property operations and elevating operation standard to realize the breakthrough of scale development. First, by researching cities, industries, markets, and customers, the Group will implement flexible rental policies, optimise project positioning and customer structures. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities throughout its commercial properties. Next, the Group will proactively promote an asset management model and asset-light management model for commercial properties.

### Ensuring Financial Prudence and Security

In response to liquidity risks resulting from external economic fluctuations and uncertainties in the market environment, the Group will strengthen the management of cash flows from operating activities and conduct the overall management of onshore and offshore funds to increase efficiency in capital utilisation. The Group will focus on accelerating sales and cash collections to increase the collection rate. The Group will ensure no breach of any of the "Three Red Lines". Moreover, the Group will fully utilise diversified financing channels at onshore and offshore markets to reduce financing costs. Meanwhile, the Group will optimise its debt structure and rationally curb debt. The Group will reduce foreign exchange exposure and effectively control exchange rate fluctuation risks. To identify and prevent risk, the Group will optimize its financial risk monitoring system. The Group will continue to maintain its investment-grade credit ratings of Moody's and Fitch.

### Continuous Improvement in Operational Control Capability

The Group will continue to implement the 3.5-level control system to optimise operations and controls, while refining its headquarters, strengthening regions, and performing well on projects. The Group will uphold the operational principle of "quality product, quality service, quality brand and excellent team" to improve product positioning, design operating system and optimise product standardization system and engineering management system. In the meantime, the Group will construct the unique TOD product lines and the service system. Apart from stronger project management and better organization system of project management, the Group will strengthen cost management to enhance cost control efficiency.

Guided by both strategies and performance, the Group will strengthen external introduction and internal training for key talents and improve performance incentive mechanism. Furthermore, the Group will continue to improve its implementation of project coinvestment mechanism and the share incentive scheme for key employees. The Group puts customer needs at the center of the business. For a better property owner's life cycle experience, the Group comprehensively manages its relationships with clients, provides quality products and services, and continues to improve customer satisfaction.

## CHAIRMAN'S STATEMENT

### Promoting Quality Development of New Business Segments

The Group will steadily promote sound development of new business segments related to real estate. With respect to the healthcare business, the Group has proactively developed quality projects. By building up an operation and service system of middle to high-end aged care and medical care complex, with aged-care institutions, elderly care apartments and rehabilitation hospitals as the core products, the Group is committed itself to becoming the "No.1 in the Greater Bay Area and the leader in China" in terms of healthcare business by the end of the 14th Five-Year Plan. At present, Yuexiu Health Care Group (越秀康養集團) has developed into the elderly care business brand that ranks No.1 in Guangzhou and takes a leading position in the Greater Bay Area, with 9 projects in the key economic zones of the Greater Bay Area and the Yangtze River Delta. In respect of elderly care and medical care, the Group maintains long-term strategic cooperation with well-known nursing, nursing training, medical care and medical groups around the world, which lays solid foundations for rapid development of ability to provide elderly care and medical care operational services. With respect to long-term apartment leasing business, the Group aims to grow as a leading operating management company in the industry with core operational capabilities and asset management ability. To achieve this, the Group will accelerate its apartment leasing business through multi-platforms, multi-channels and multi-dimensions, particularly focusing on advancing the asset-light strategy for long-term leasing apartments. The Group will focus on the development of new business segments related to real estate and further promote its "Properties+" business. The Group will cooperate with premium educational resources in the Greater Bay Area and quality education brands nationwide to support business development in "+Education" and steadily promote other innovative businesses, such as "+Industries" and "+Towns".



### ACKNOWLEDGEMENTS

The year 2021 marks a good start in the strategic planning of the 14th Five-Year Plan for the Group. This year is also critical to completing various operation targets of the 14th Five-Year Plan for the Group. In order to achieve high-quality, continuous and steady development, the Group will endeavor to realise stable growth in various businesses and operating results with its great effort in expansion and unwavering confidence. Meanwhile the Group will constantly strive to improve the rate of return on shareholder capital and value. With respect to the Group's achievements in remarkable results and development in a variety of businesses, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, our customers, and business partners for their full trust and dedicated support.

**Mr Lin Zhaoyuan**  
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS





# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE AND GROSS PROFIT

In 2020, the Group realised revenue of approximately RMB46.23 billion (2019: RMB38.34 billion), representing a year-on-year increase of 20.6%. The gross profit was approximately RMB11.63 billion (2019: RMB13.12 billion), representing a year-on-year decrease of 11.4%, and the gross profit margin was approximately 25.1%, representing a year-on-year decrease of 9.1 percentage points.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2020, profit attributable to equity holders of the Group was approximately RMB4.25 billion (2019: RMB3.48 billion), representing a year-on-year increase of 21.9%. The core net profit was approximately RMB4.02 billion (2019: RMB3.51 billion), representing a year-on-year increase of 14.6% and core net profit margin was approximately 8.7%.

## CONTRACTED SALES

In 2020, the value of the aggregate contracted sales (including sales by joint venture projects) of the Group was approximately RMB95.76 billion, representing a year-on-year increase of 32.8% and accounted for 119.4% of the full year contracted sales target of RMB80.2 billion. The GFA of the aggregate contracted sales (including sales by joint venture projects) was approximately 3.79 million sq.m., representing a year-on-year increase of 8.7%. The average selling price was approximately RMB25,200 per sq.m., representing an increase of 21.7% on a year-on-year basis.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2020, the Greater Bay Area accounted for approximately 66.5%, Eastern China Region accounted for approximately 20.8%, Central China Region accounted for approximately 7.1%, Northern China Region accounted for approximately 4.5%, and Southwestern China Region accounted for approximately 1.1%.

### Greater Bay Area

In 2020, despite the impact of the pandemic, the integration process of the Greater Bay Area was intensified, with cities developing in coordination and the increasing opening-up. A number of major preferential policies were formulated in the Greater Bay Area, the economy was recovering positively, and the real estate market in the Greater Bay Area was under sound development. The Group has deployed its operations in Guangzhou, Shenzhen, Hong Kong, Foshan, Jiangmen, and Zhongshan in the Greater Bay Area. In 2020, the contracted sales value of the Group in Greater Bay Area amounted to approximately RMB63.66 billion, representing a year-on-year increase of 51.1%, accounting for approximately 66.5% of the Group's contracted sales value, while the average selling price was approximately RMB31,300 per sq.m., representing a year-on-year increase of 29.9%.

In 2020, Guangzhou adopted district-specific regulatory policies for its property market, and preferential policies for the introduction of talents in some areas. The housing market boomed in the second half of the year. Both the sales value and volume of commodity residential housing in the city recorded relatively huge growths. The Group maintained its leading position in Guangzhou property market. In 2020, the contracted sales value of the Group in Guangzhou was approximately RMB55.79 billion, representing a year-on-year increase of 52.4%; the average selling price was approximately RMB32,600 per sq.m., representing a year-on-year increase of 22.1%.

As the core of the Greater Bay Area and one of the important regions of Guangzhou for "southward extension", Nansha District has a clear plan and its regional construction has been strengthened continuously. Thanks to the preferential policies for talents introduction, the customer base outside the district has expanded, the market popularity has increased and the transaction volume remains active. By seizing market opportunities, the Group further deepened its participation in Nansha District. In 2020, the contracted sales value of the Group in Nansha was approximately RMB10.85 billion, representing a year-on-year increase of 3.1%, while the average selling price was approximately RMB29,100 per sq.m., representing a year-on-year increase of 39.2%.

In 2020, the property market transaction remained active in Shenzhen. As certain new policies are in the interests of those first home buyers and more attention has been paid by the purchasers on first hand residential property market, the transaction volume of commodity residential housing kept going up stably. In 2020, the Group recorded a contracted sales value of approximately RMB3.27 billion in Shenzhen, while the average selling price was approximately RMB91,000 per sq.m..

In 2020, affected by the pandemic, the transaction volumes of commodity residential housing in Foshan and Zhongshan declined to some extent. However, thanks to the various demand-side favorable policies launched by the government, the transaction volume of commodity residential housing in Jiangmen rebound relatively significantly. In respect of Foshan, the average selling price moved up driven by demand of the surrounding cities. In respect of Zhongshan and Jiangmen, the selling price remained steady. In 2020, the contracted sales value of the Group in those three cities amounted to approximately RMB4.60 billion, representing a year-on-year decrease of 17.0%, while the average selling price was approximately RMB15,900 per sq.m., representing a year on-year increase of 8.9%.

### Eastern China Region

The Group has already established operations in Hangzhou, Suzhou, Jiaxing and Nanjing within Eastern China Region. Hangzhou and Suzhou, under the key policy control, still implemented stringent tightening policies on the property market in 2020. Among them, Hangzhou continued to carry out price restriction policy on first hand residential properties, bringing the transaction volume up. In addition, both the transaction volume and the average selling price in Hangzhou increased, due to the rapid market revitalization from the pandemic. For Suzhou, volume of transactions demonstrated signs of slowing down due to the pandemic, while the average selling price rose, driven by the improved demand. For Jiaxing, the transaction volume and the average selling price of the property market rose steadily after the favorable policies were introduced, including household registration for talents and adjustment for provident fund. In 2020, the contracted sales value of the Group in Eastern China Region reached approximately RMB19.92 billion, representing a year-on-year increase of 18.0%, and the average selling price was approximately RMB24,800 per sq.m., representing a year-on-year increase of 12.2%.

### Central China Region

The Group has established its operations in four cities including Wuhan, Xiangyang, Zhengzhou and Changsha within the Central China Region. Among them, Wuhan and Xiangyang were more severely impacted by the pandemic. Benefiting from the overall sound fundamentals of the city and the supporting policies promulgated by the government, the market rebounded shortly after the pandemic in Wuhan, with a stable rise in average selling price despite certain decrease in transaction volume for the year. With effective control of the pandemic in Xiangyang, market demand was released gradually, and the transaction volume for the year increased despite the difficult conditions. In response to the pandemic, Changsha government promulgated certain favorable policies to facilitate recovery of property market, leading to a stable rise in both overall transaction volume and average selling price. In 2020, the contracted sales value of the Group in Central China Region amounted to approximately RMB6.84 billion, representing a year-on-year decrease of 4.6%, while the average selling price was approximately RMB13,100 per sq.m., representing a year-on-year increase of 7.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Northern China Region

The Group has established its operations in four cities including Shenyang, Qingdao, Jinan and Yantai in Northern China Region. Transaction volume in Shenyang experienced a decrease in 2020 due to the tightened policy at both supply and demand side as well as the impact of the pandemic, whereas average selling price rose as a whole as driven by a surge in average selling price in certain low-price districts. During the pandemic, Jinan announced policies in respect of land, talent and residency registration to facilitate healthy development of real estate market, and both transaction volume and selling price on commodity residential market increased. Qingdao and Yantai continued to implement policies designed for a stable market throughout the year, and as a result, the transaction volume maintained stable. In 2020, the contracted sales value of the Group in Northern China Region amounted to approximately RMB4.28 billion, representing a year-on-year decrease of 23.8%, and the average selling price was approximately RMB14,100 per sq.m., representing a year-on-year decrease of 11.9%.

### Southwestern China Region

In 2020, the Group further expanded its operations in Southwestern China Region by entering into Chongqing market for the first time. Hence, the Group has established its operations in two important tier-2 cities including Chongqing and Chengdu in this region. After the pandemic under effective control, the release of market demand in Chengdu aroused the sentiment on property market, and the government then issued new control policies to make the market balanced and healthy, which all together led to a steady rise in both transaction volume and average selling price in Chengdu for the year. In 2020, the contracted sales value of the Group in Southwestern China Region amounted to approximately RMB1.06 billion and the average selling price was approximately RMB8,300 per sq.m., representing a year-on-year increase of 7.8%.

Contracted sales are summarised as follows:

NO.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Haizhu Bay	73,300	2,928	39,900
2	Guangzhou Yuexiu Greenland Haiyue	15,700	507	32,300
3	Guangzhou Joy Bay	22,000	1,677	76,200
4	Guangzhou Starry Sky City	90,300	3,948	43,700
5	Guangzhou Purple Cloud Mansion	14,200	246	17,300
6	Guangzhou Park Avenue	85,700	4,338	50,600
7	Guangzhou Grand Mansion (previous name: Guangzhou Panyu Changlong South Land)	99,800	5,170	51,800
8	Guangzhou Cullinan	42,000	1,649	39,300
9	Guangzhou Yue Infinity	85,700	2,987	34,900
10	Guangzhou Talent Garden (previous name: Guangzhou Zhilian Automobile Town)	186,400	3,289	17,600
11	Guangzhou Yue Melody	188,100	7,525	40,000
12	Guangzhou Yue Fantasy	32,500	1,246	38,300
13	Guangzhou Yuexiu Poly Aite City	7,700	123	16,000
14	Guangzhou TOD Town	93,100	2,321	24,900
15	Nansha Southern Le Sand	66,600	1,544	23,200
16	Nansha Binhai New Town	56,600	1,110	19,600
17	Nansha Yuexiu East Hillside	34,600	893	25,800

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
18	Nansha Tianyu Square	14,800	350	23,600
19	Nansha International Financial Center	3,800	163	42,900
20	Nansha Joy Bay	59,000	2,111	35,800
21	Nansha Jinmao Bay	24,800	843	34,000
22	Nansha The Willow Shores	68,400	2,209	32,300
23	Nansha China Resources Yuexiu Mansion	44,100	1,631	37,000
24	Huadu Elegant Mansion	18,300	509	27,800
25	Huadu Magnificent Mansion	41,900	1,158	27,600
26	Huadu Royal Mansion	60,400	1,608	26,600
27	Guangzhou Yue Galaxy	115,300	2,925	25,400
28	Zengcheng Joy Mountain	4,900	81	16,500
29	Conghua Glade Village	9,300	129	13,900
30	Shenzhen Majestic Mansion	35,900	3,266	91,000
31	Nanhai Starry Mansion	76,000	2,027	26,700
32	Foshan Longfor Yuexiu Cloud	13,500	334	24,700
33	Jiangmen Xijiang Mansion	6,000	28	4,700
34	Jiangmen Xijiang Joy Mansion	6,500	37	5,700
35	Jiangmen Man Wah Mansion	13,000	120	9,200
36	Jiangmen Yuexiu Binjiang Glorious City	29,000	278	9,600
37	Jiangmen Yuexiu Binjiang Enjoy City	22,400	235	10,500
38	Jiangmen Yuexiu Binjiang Grand City	70,800	832	11,800
39	Heshan Starry Regal Court	20,800	157	7,500
40	Zhongshan Empyrean Bay	32,100	554	17,300
	Other Projects	51,400	573	11,100
	<b>Subtotal (Greater Bay Area)</b>	<b>2,036,700</b>	<b>63,659</b>	<b>31,300</b>
41	Hangzhou Starry City	176,900	3,565	20,200
42	Hangzhou Garden 1872	57,800	2,298	39,800
43	Hangzhou Joy Bay	64,100	2,774	43,300
44	Hangzhou Lake & Mountain	24,700	397	16,100
45	Hangzhou Impressive City	146,700	2,549	17,400
46	Hangzhou New Bund Mansion	87,400	3,540	40,500
47	Hangzhou Yue Present	23,200	895	38,600
48	Hangzhou Manyun Mansion	45,600	1,025	22,500
49	Hangzhou Joy Lane (previous name: Hangzhou Lin'an Shuanglin Land)	7,400	139	18,800
50	Suzhou Joy Bay	23,500	536	22,800

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
51	Suzhou Splendid Mansion	14,300	237	16,600
52	Suzhou Cloud Mansion (previous name: Suzhou Wuzhong Xukou Land)	4,300	92	21,400
53	Suzhou Taicang Never Land	40,000	741	18,500
54	Suzhou Impressive Mansion (previous name: Suzhou Taicang Shaxi Land)	1,700	24	14,100
55	Jiaxing Joy Lane (previous name: Jiaxing Nanhu Yuxin Land)	84,700	1,112	13,100
	<b>Subtotal (Eastern China Region)</b>	<b>802,300</b>	<b>19,923</b>	<b>24,800</b>
56	Wuhan Hanyang Starry Winking	105,600	2,448	23,200
57	Wuhan Joy Mansion	3,900	43	11,000
58	Wuhan Elite Mansion	24,500	221	9,000
59	Wuhan Yuexiu Paradiso Garden	14,800	177	12,000
60	Wuhan Mansion	19,100	253	13,200
61	Xiangyang Starry City	100,400	813	8,100
62	Changsha Yue Lake Stage	66,100	920	13,900
63	Changsha Qin'ai Lane	36,900	460	12,500
64	Changsha Starry City	150,700	1,507	10,000
	<b>Subtotal (Central China Region)</b>	<b>522,000</b>	<b>6,842</b>	<b>13,100</b>
65	Shenyang Starry Winking	61,500	1,429	23,200
66	Shenyang Hill Lake	39,700	456	11,500
67	Qingdao Magnificent Bay	23,100	435	18,800
68	Qingdao Jiaozhou Platinum Mansion	17,300	194	11,200
69	Qingdao Yue Mansion	12,500	148	11,800
70	Qingdao Starry City	52,500	539	10,300
71	Ji'nan Baimai Delighted Mansion	87,200	869	10,000
72	Ji'nan Art Living	10,400	208	20,000
	<b>Subtotal (Northern China Region)</b>	<b>304,200</b>	<b>4,278</b>	<b>14,100</b>
73	Chengdu Glorious Mansion	96,800	784	8,100
74	Chengdu Qin'ai Lane	31,300	277	8,800
	<b>Subtotal (Southwestern China Region)</b>	<b>128,100</b>	<b>1,061</b>	<b>8,300</b>
	<b>Total</b>	<b>3,793,300</b>	<b>95,763</b>	<b>25,200</b>

## RECOGNISED SALES

In 2020, the value of the recognised sales and GFA of the recognised sales were approximately RMB44.30 billion and 2.43 million sq.m., representing a year-on-year increase of 22.4% and 51.2%, respectively, and the average selling price was approximately RMB18,200 per sq.m..

Recognised sales are summarised as follows:

NO.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	1,300	33	25,400
2	Guangzhou Starry Haizhu Bay	57,500	1,875	32,600
3	Guangzhou Yuexiu Greenland Haiyue	26,100	940	36,000
4	Guangzhou Starry Golden Sands	3,700	42	11,400
5	Guangzhou Starry Sky City	84,000	3,132	37,300
6	Guangzhou Starry Wenhua	1,100	22	20,000
7	Guangzhou Paradiso Riverside	2,400	31	12,900
8	Guangzhou Lingnan Hillside	2,000	22	11,000
9	Guangzhou Yue Melody	19,400	828	42,700
10	Nansha Southern Le Sand	82,600	1,652	20,000
11	Nansha Binhai New Town	315,700	5,178	16,900
12	Nansha Yuexiu East Hillside	85,500	1,931	22,600
13	Huadu Elegant Mansion	22,900	639	27,900
14	Guangzhou Yuexiu Galaxy	88,400	2,088	23,600
15	Nanhai Starry Mansion	122,700	2,661	21,700
16	Foshan Lingnan Junting	6,600	99	15,000
17	Foshan Paradiso Power	1,900	14	7,400
18	Jiangmen Starry Regal Court	12,900	80	6,200
19	Jiangmen Xijiang Joy Mansion	6,500	36	5,500
20	Jiangmen Starry Mountain	2,800	22	7,900
21	Heshan Starry Regal Court	110,000	774	7,000
22	Zhongshan Starry Winking	3,100	18	5,800
23	Zhongshan Starry Junting	1,300	15	11,500
24	Zhongshan Starry Peakfield	5,800	144	24,800
25	Zhongshan Paradiso Jardin	6,400	33	5,200
	Other Projects	15,500	348	22,500
	<b>Subtotal (Greater Bay Area)</b>	<b>1,088,100</b>	<b>22,657</b>	<b>20,800</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Project	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
26	Hangzhou Starry City	255,700	3,882	15,200
27	Hangzhou Joy Bay	15,900	730	45,900
28	Hangzhou Lake & Mountain	179,500	2,723	15,200
29	Hangzhou Joy Mountain	165,800	2,754	16,600
30	Hangzhou New Bund Mansion	65,300	2,292	35,100
31	Suzhou YueFu Mansion	113,800	2,608	22,900
32	Suzhou Paradiso Pavilion	13,700	48	3,500
	<b>Subtotal (Eastern China Region)</b>	<b>809,700</b>	<b>15,037</b>	<b>18,600</b>
33	Wuhan International Financial City	13,200	462	35,000
34	Wuhan Starry Emperor	11,200	71	6,300
35	Wuhan Starry Mountain	2,900	79	27,200
36	Wuhan Yuexiu Paradiso Mansion	29,200	380	13,000
37	Wuhan Joy Mansion	124,000	958	7,700
38	Wuhan Yuexiu Paradiso Garden	52,300	610	11,700
39	Wuhan Starry Bay	22,900	300	13,100
	<b>Subtotal (Central China Region)</b>	<b>255,700</b>	<b>2,860</b>	<b>11,200</b>
40	Shenyang Starry Winking	153,000	2,498	16,300
41	Shenyang Hill Lake	11,200	98	8,800
42	Yantai Starry Golden Sands	4,100	17	4,100
43	Yantai Elegant Mansion	65,600	663	10,100
44	Qingdao Starry Blue Bay	6,700	50	7,500
45	Qingdao Infinite Mansion	1,200	15	12,500
46	Qingdao Jiaozhou Platinum Mansion	32,800	389	11,900
47	Qingdao Elegant Mansion	2,100	13	6,200
	<b>Subtotal (Northern China Region)</b>	<b>276,700</b>	<b>3,743</b>	<b>13,500</b>
	<b>Total</b>	<b>2,430,200</b>	<b>44,297</b>	<b>18,200</b>

## UNRECOGNISED SALES

As of 31 December 2020, the value of the unrecognised sales amounted to approximately RMB119.62 billion, and GFA of the unrecognised sales was approximately 5.17 million sq.m.. The average selling price was approximately RMB23,200 per sq.m..

## LANDBANK

In 2020, the Group has newly acquired 22 land parcels located in Guangzhou, Foshan, Jiangmen, Hangzhou, Suzhou, Nanjing, Qingdao, Yantai, Ji'nan, Chongqing and Chengdu, with total GFA of approximately 5.60 million sq.m. and an attributable GFA approximately 3.29 million sq.m..

In 2020, the land parcels newly acquired are summarised as follows:

NO.	Project	Equity Holding	Total GFA (sq.m.)
1	Guangzhou Baiyun Tinggang Station Land	95.48%	445,700
2	Guangzhou Baiyun Jinshazhou Land	95.48%	332,000
3	Guangzhou Liwan Fangcun Avenue Land	47.50%	154,400
4	Guangzhou Grand Mansion (previous name: Guangzhou Panyu Changlong South Land)	95.48%	457,400
5	Guangzhou Panyu Changlong North Land	46.79%	402,800
6	Guangzhou Panyu Guangzhou International School of South China University of Technology phase II Land	95.48%	175,000
7	Guangzhou Yue Fantasy	48.69%	330,200
8	Guangzhou TOD Town	48.69%	703,400
9	Guangzhou Nansha Bay Land	42.96%	149,700
10	Nanhai Lake View Mansion (previous name: Nanhai Shishan Land)	9.50%	237,100
11	Jiangmen Binjiang New District Land	9.50%	403,800
12	Hangzhou Joy Lane (previous name: Hangzhou Lin'an Shuanglin Land)	95.00%	163,000
13	Suzhou Cloud Mansion (previous name: Suzhou Wuzhong Xukou Land)	100.00%	31,900
14	Suzhou Industrial Park Shengpu Land	28.50%	129,500
15	Suzhou Impressive Mansion (previous name: Suzhou Taicang Shaxi Land)	95.00%	61,100
16	Nanjing Pukou Qiaolin Land	100.00%	103,400
17	Qingdao Pingdu Southern New Town Land I	37.24%	157,200
18	Qingdao Pingdu Southern New Town Land II	38.76%	268,200
19	Yantai Hi-Tech Zone Yantai No.2 Middle School East Land	100.00%	146,700
20	Ji'nan Lixia District Land	9.50%	237,800
21	Chongqing Yubei Central Park Land	95.48%	206,300
22	Chengdu Tianfu New District Science City Land	46.55%	300,800
	<b>Total</b>		<b>5,597,400</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2020, the landbank of the Group reached approximately 24.54 million sq.m. with a total of 82 projects in 21 cities in China and the regional layout continued to improve. Geographically, Greater Bay Area, Eastern China Region, Central China Region, Northern China Region and Southwestern China Region accounted for approximately 55.1%, 12.3%, 15.5%, 13.1%, and 4.0%, respectively.

The landbank is summarised as follows:

NO.	Projects	LANDBANK	PUD	PFD
		GFA (sq.m.)	GFA (sq.m.)	GFA (sq.m.)
1	Guangzhou Starry Haizhu Bay	366,400	366,400	—
2	Guangzhou Joy Bay	154,600	154,600	—
3	Guangzhou Starry Sky City	195,700	195,700	—
4	Guangzhou Baiyun Tinggang Station Land	445,700	174,100	271,600
5	Guangzhou Baiyun Jinshazhou Land	332,000	—	332,000
6	Guangzhou Park Avenue	208,000	208,000	—
7	Guangzhou Liwan Fangcun Avenue Land	154,400	—	154,400
8	Guangzhou Cullinan	271,600	271,600	—
9	Guangzhou Yue Infinity	881,200	881,200	—
10	Guangzhou Grand Mansion (previous name: Guangzhou Panyu Changlong South Land)	457,400	457,400	—
11	Guangzhou Panyu Changlong North Land	402,800	186,000	216,800
12	Guangzhou Panyu Guangzhou International School of South China University of Technology phase II Land	175,000	175,000	—
13	Guangzhou Talent Garden	833,400	833,400	—
14	Guangzhou Southern Intelligent Media Center	159,800	159,800	—
15	Guangzhou Yue Melody	840,400	731,500	108,900
16	Guangzhou Yue Fantasy	330,200	330,200	—
17	Guangzhou TOD Town	703,400	449,800	253,600
18	Nansha Southern Le Sand	748,600	331,500	417,100
19	Nansha Binhai New Town	305,400	305,400	—
20	Nansha Tianyu Square	134,500	134,500	—
21	Nansha International Financial Center	220,800	220,800	—
22	Nansha Joy Bay	423,800	423,800	—
23	Nansha Jinmao Bay	130,200	130,200	—
24	Nansha The Willow Shores	140,500	140,500	—
25	Nansha China Resources Yuexiu Mansion	156,100	156,100	—

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Projects	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
26	Guangzhou Nansha Bay Land	149,700	–	149,700
27	Huadu Elegant Mansion	186,100	186,100	–
28	Huadu Magnificent Mansion	296,700	296,700	–
29	Huadu Royal Mansion	187,100	187,100	–
30	Guangzhou Yue Galaxy	1,127,600	706,300	421,300
31	Zengcheng Joy Mountain	94,700	94,700	–
32	Conghua Glade Village	221,000	197,300	23,700
33	Shenzhen Majestic Mansion	169,400	169,400	–
34	Nanhai Starry Mansion	348,700	304,100	44,600
35	Nanhai Lake View Mansion (previous name: Nanhai Shishan Land)	237,100	123,200	113,900
36	Foshan Lingnan Junting	17,600	17,600	–
37	Jiangmen Man Wah Mansion	83,100	83,100	–
38	Jiangmen Yuexiu Binjiang Glorious City	221,800	221,800	–
39	Jiangmen Yuexiu Binjiang Enjoy City	101,400	101,400	–
40	Jiangmen Yuexiu Binjiang Grand City	164,500	164,500	–
41	Jiangmen Binjiang New District Land	403,800	–	403,800
42	Zhongshan Empyreal Bay	230,100	230,100	–
43	Hong Kong Yau Tong Project	72,100	–	72,100
	Other projects	41,200	–	41,200
	<b>Subtotal (Greater Bay Area)</b>	<b>13,525,600</b>	<b>10,500,900</b>	<b>3,024,700</b>
44	Hangzhou Starry City	470,600	274,500	196,100
45	Hangzhou Garden 1872	230,300	230,300	–
46	Hangzhou Joy Bay	173,500	173,500	–
47	Hangzhou Yue Present	46,500	46,500	–
48	Hangzhou Impressive City	317,700	317,700	–
49	Hangzhou Manyun Mansion	75,200	75,200	–
50	Hangzhou Joy Lane (previous name: Hangzhou Lin'an Shuanglin Land)	163,000	163,000	–

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Projects	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
51	Suzhou Splendid Mansion (previous name: Suzhou Xiangcheng Changwang Land)	142,500	142,500	–
52	Suzhou Cloud Mansion (previous name: Suzhou Wuzhong Xukou Land)	31,900	31,900	–
53	Suzhou Industrial Park Shengpu Land	129,500	–	129,500
54	Suzhou Taicang Never Land	866,700	240,500	626,200
55	Suzhou Impressive Mansion (previous name: Suzhou Taicang Shaxi Land)	61,100	61,100	–
56	Jiaxing Joy Lane (previous name: Jiaxing Nanhu Yuxin Land)	218,000	218,000	–
57	Nanjing Pukou Qiaolin Land	103,400	–	103,400
	<b>Subtotal (Eastern China Region)</b>	<b>3,029,900</b>	<b>1,974,700</b>	<b>1,055,200</b>
58	Wuhan International Financial City	334,800	334,800	–
59	Wuhan Hanyang Starry Winking	1,143,500	866,400	277,100
60	Wuhan Elite Mansion	78,000	78,000	–
61	Wuhan Mansion	231,500	231,500	–
62	Xiangyang Starry City	905,400	895,100	10,300
63	Zhengzhou Elegant Mansion	137,900	137,900	–
64	Changsha Yue Lake Stage	130,600	130,600	–
65	Changsha Qin'ai Lane	132,400	132,400	–
66	Changsha Starry City	709,300	334,000	375,300
	<b>Subtotal (Central China Region)</b>	<b>3,803,400</b>	<b>3,140,700</b>	<b>662,700</b>
67	Shenyang Starry Winking	158,300	139,900	18,400
68	Shenyang Hill Lake	270,300	34,800	235,500
69	Qingdao Magnificent Bay	213,200	175,800	37,400
70	Qingdao Licang Qingyin Highway East Land	666,300	–	666,300

## MANAGEMENT DISCUSSION AND ANALYSIS

NO.	Projects	LANDBANK GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
71	Qingdao Yue Mansion	51,000	51,000	–
72	Qingdao Starry City	480,100	217,800	262,300
73	Qinghai Pingdu Southern New Town Land I	157,200	–	157,200
74	Qinghai Pingdu Southern New Town Land II	268,200	–	268,200
75	Yantai Hi-Tech Zone Yantai No.2 Middle School East Land	146,700	–	146,700
76	Ji'nan Lixia District Land	237,800	–	237,800
77	Ji'nan Baimai Delighted Mansion	562,000	562,000	–
	<b>Subtotal (Northern China Region)</b>	<b>3,211,100</b>	<b>1,181,300</b>	<b>2,029,800</b>
78	Chongqing Yubei Central Park Land	206,300	–	206,300
79	Chengdu Glorious Mansion	296,900	296,900	–
80	Chengdu Qin'ai Lane	66,200	66,200	–
81	Chengdu Tianfu New District Science City Land	300,800	–	300,800
82	Haikou Simapo Island Project	100,500	–	100,500
	<b>Subtotal (Southwestern China Region)</b>	<b>970,700</b>	<b>363,100</b>	<b>607,600</b>
	<b>Total</b>	<b>24,540,700</b>	<b>17,160,700</b>	<b>7,380,000</b>

### CONSTRUCTION PROGRESS

The Group strived to accelerate development efficiency and turnover rate. During the year, project development was in line with the Group's schedule.

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

Construction progress	2020	2021
	Actual GFA (sq.m.)	Planned GFA (sq.m.)
New commencement of construction	6,302,200	7,005,200
Completion	5,608,200	6,139,600

### INVESTMENT PROPERTIES

As at 31 December 2020, the Group owned investment properties under lease of approximately 774,000 sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 52.3%, 31.4% and 16.3%, respectively. The Group recorded rental revenue of approximately RMB0.60 billion in 2020, representing a decrease of 12.6% year on year.

In 2020, the Group recorded net fair value gains on revaluation of investment properties of approximately RMB0.64 billion, of which Guangzhou ICC located in the Tianhe North Business Area recorded fair value gains on revaluation of approximately RMB1.44 billion for the year due to its lower cost of lands acquired at early stage; Wuhan International Financial City Phase III Business recorded fair value losses on revaluation of approximately RMB0.77 billion for the year due to the effect of pandemic.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER GAINS, NET

In 2020, the Group's other gains, net amounted to approximately RMB27 million, representing a decrease of 96.6% on a year-on-year basis. Other gains, net for 2019 mainly included remeasurement gains on interests in a joint venture before tax of approximately RMB766 million.

### SELLING AND MARKETING COSTS

In 2020, the Group's selling and marketing costs were approximately RMB1.21 billion, representing an increase of 21.1% year on year, mainly due to the increase of the revenue carried forward during the year. 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 RMB1.34 billion, representing an increase of 8.8% year on year. The administrative expenses accounted for 2.9% of the operating revenue for the year, down by 0.3 percentage point from 3.2% 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 RMB0.93 billion, representing a decrease of 19.5% from RMB1.16 billion for 2019. 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 26.3%.

### SHARE OF PROFIT FROM ASSOCIATED ENTITIES

In 2020, the overall net contribution from associated entities attributable to the Group was approximately RMB506 million, representing an increase of 4.0% on a year-on-year basis. Share of profit from associated entities for the year mainly includes profit contribution from three associated projects located in Greater Bay Area and Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

In 2020, the total distributable amount of Yuexiu REIT amounted to approximately RMB649 million, representing a decrease of 14.8% on a year-on-year basis, and the cash distribution attributable to the Group amounted to approximately RMB247 million.

### BASIC EARNINGS PER SHARE

In 2020, basic earnings per share attributable to the equity holders of the Company (based on the weighted average number of ordinary shares in issue) were RMB0.2744 (2019: RMB0.2410).

### FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2020 of HKD0.063 per share, which is equivalent to RMB0.053 per share (2019: HKD0.049 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 9 June 2021. 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 2021. Together with the interim dividend of HKD0.057 per share which was equivalent to approximately RMB0.051 per share, total dividends for the year ended 31 December 2020 amounted to HKD0.120 per share which was equivalent to approximately RMB0.104 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 2020, the Group obtained new borrowings of approximately RMB17.71 billion, including onshore borrowings of approximately RMB14.23 billion and offshore borrowings of approximately RMB3.48 billion. As at 31 December 2020, total borrowings amounted to approximately RMB67.84 billion (31 December 2019: RMB71.02 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB37.31 billion, and the net gearing ratio was 47.5%. Borrowings due within one year accounted for approximately 24% of the total borrowings (31 December 2019: 10%); fixed-rate borrowings accounted for approximately 57.4% of the total borrowings (31 December 2019: 57.7%). The Group's average effective borrowing interest rate for the year decreased by 31 bpts to 4.62% per annum from 4.93% per annum for 2019.

As at 31 December 2020, among the Group's total borrowings, approximately 46% was RMB denominated bank borrowings and other borrowings (31 December 2019: 46%), 9% was Hong Kong dollar denominated bank borrowings (31 December 2019: 9%), 19% was Hong Kong dollar and US dollar denominated medium to long term notes (31 December 2019: 21%), 26% was RMB denominated medium to long term notes (31 December 2019: 24%).

### WORKING CAPITAL

As at 31 December 2020, the Group's working capital (current assets less current liabilities) amounted to approximately RMB80.04 billion (31 December 2019: approximately RMB78.14 billion). The Group's current ratio (current assets divided by current liabilities) was 1.6 times (31 December 2019: 1.7 times). Cash and cash equivalents amounted to approximately RMB28.21 billion (31 December 2019: RMB24.11 billion). Charged bank deposits amounted to approximately RMB9.09 billion (31 December 2019: RMB6.08 billion). Undrawn committed bank facilities amounted to approximately RMB19.9 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

	As at	
	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank borrowings and notes		
Denominated in RMB	48,576,306	49,621,641
Denominated in HKD	8,191,311	9,583,648
Denominated in USD	11,071,711	11,816,326
Total bank borrowings and notes	67,839,328	71,021,615
Bank overdrafts	32	41
Total debts	67,839,360	71,021,656

	As at	
	31 December 2020 RMB'000	31 December 2019 RMB'000
<b>Ageing analysis:</b>		
Within one year	16,576,244	7,138,023
In the second year	18,802,668	20,270,167
In the third to fifth year	27,557,816	39,387,355
Beyond five years	4,902,632	4,226,111
Total borrowings	67,839,360	71,021,656
Lease liabilities	717,686	678,207
Less: Cash and cash equivalents	(28,213,701)	(24,105,541)
Net borrowings	40,343,345	47,594,322
Total equity	64,276,115	55,191,816
Total capitalisation	104,619,460	102,786,138
Gearing ratio	38.6%	46.3%

### INTEREST RATE EXPOSURE

The Group's interest rate exposure is mainly derived from relevant loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2020, among the total borrowings of the Group, approximately 33.4% was floating rate bank loans denominated in Renminbi, approximately 9.2% was floating rate bank loans denominated in Hong Kong dollars, approximately 12.7% was fixed rate bank loans denominated in Renminbi, approximately 25.5% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 19.2% was medium-to-long term fixed rate notes denominated in US dollars/Hong Kong dollars.

At present, the interest rate in both China and Hong Kong is relatively low and it is expected to remain at the low level this year. The ratio of fixed rate financing against the total financing is approximately 57.4% with controllable interest rate risk. The Group did not arrange interest-rate hedging instruments during the reporting year. The average borrowings interest rate during the period was approximately 4.62% per annum, decreased by 31 basis points from 4.93% per annum for the year of 2019.

With respect to Renminbi interest rates, the PBOC will maintain a reasonable and prudent monetary policy as the pandemic situation in China has become stable and the economy has basically recovered. It is estimated that Renminbi market interest rates will remain at the current low level or slightly go up. However, there are restrictions and more policy constraints on financing for industries.

With respect to US dollar interest rates, regarding the sharp decline in global economy caused by the pandemic, the Federal Reserve has sharply cut its benchmark interest rate to 0-0.25% in the first half of 2020 and introduced unlimited quantitative easing measures which continue till now. With sufficient US dollar liquidity in the market and easing overall financing environment, it is expected that US dollar interest rates will maintain at a low level for a longer period.

With respect to Hong Kong dollar interest rates, due to the impact of the pandemic, Hong Kong economy experienced a severe downturn. Hong Kong dollar interest rates, along with the decline in US dollar interest rates, have fallen sharply in 2020 to a level close to US dollar interest rates. Currently, the liquidity of Hong Kong Dollar is sufficient on the market and interest rate of Hong Kong Dollar stays at a relatively low level. However, interest rate of Hong Kong Dollar may be subject to short-term upward fluctuation in the future due to fundraising activities of companies by initial public offering, China-US conflicts and slow-down in economic growth.

The Group will continue to pay close attention to changes in domestic and foreign interest rate market and optimize its debt structure, so as to better manage interest rate risks.

### 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 enhance the management of the foreign exchange exposure. As at 31 December 2020, approximately 28% (30% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which, approximately HKD7.45 billion (equivalent to approximately RMB6.27 billion) was bank borrowings denominated in Hong Kong dollar, approximately USD1.70 billion (equivalent to approximately RMB11.07 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.28 billion (equivalent to approximately RMB1.92 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 RMB8.09 billion).

As the only one of major economies in the world which recorded positive economic growth in 2020, China is expected to see continued recovery in 2021. Presently, in the context that the pandemic continues worldwide and the coverage of vaccination gradually expands, the world economy is expected to recover in the second half year. Due to the ongoing China-US conflict and monetary policy of China and the US, the interest rate of Renminbi is still expected to fluctuate in 2021. The Group will continue to keep track of developments in the foreign exchange market, strike a balance between hedging cost and foreign exchange risk, optimize its debt structure and control its foreign exchange exposure. The Group has used suitable financial instruments to manage its foreign exchange exposure and will continue to arrange for appropriate products to manage its foreign exchange exposure.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB61 million (31 December 2019: RMB726 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 2020, the total contingent liabilities relating to these guarantees amounted to approximately RMB32.04 billion (31 December 2019: RMB20.09 billion).

As at 31 December 2020, certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB3,407 million (31 December 2019: RMB2,035 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1,077 million was utilised and guarantee of approximately RMB2,330 million was not utilised yet.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 11,390 employees (30 June 2020: 10,740 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. The Group adopted the Share Incentive Scheme on 2 December 2016 and the Share Award Scheme on 17 March 2017. Both schemes will (i) provide the selected participants (including senior management, middle management and other employees) with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company and the Group; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Group, the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected participants with those of the shareholders of the Company. Details of the Share Incentive Scheme and Share Award Scheme have been respectively disclosed in the announcements dated 2 December 2016 and 17 March 2017.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

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

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

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

- (i) the controlling shareholder remains to be the single largest beneficial shareholder of the Company;
- (ii) the controlling shareholder maintains a shareholding interest of not less than 35% or 30% in the issued voting shares of the Company;
- (iii) the controlling shareholder maintains effective management control over the Company.

As at 31 December 2020, the aggregate balance of the loans provided in Renminbi was HKD7,510,000,000. Such Loan Agreements will expire from 31 December 2021 to 29 December 2022.

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

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

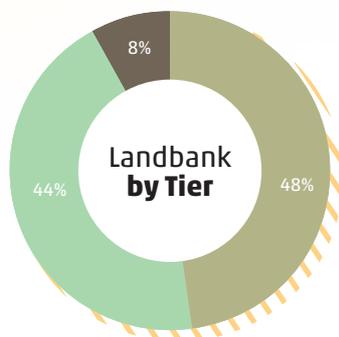
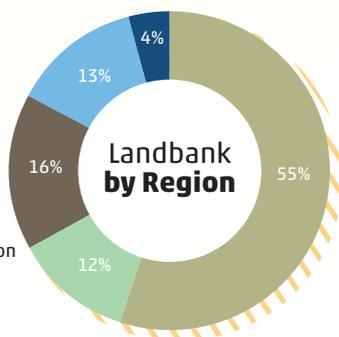
On 19 April 2018, Westwood Group Holdings Limited, an indirect wholly-owned subsidiary of the Company issued USD800 million 4.875 per cent. notes due 2021 and USD400 million 5.375 per cent. notes due 2023 to investors under a USD3,000 million guaranteed medium term note programme established on 4 April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

These obligations have been duly complied with for the year ended 31 December 2020.

# PROPERTY DEVELOPMENT

REGION	GFA (sq.m.)
<b>Greater Bay Area</b>	<b>13,525,600</b>
Guangzhou	11,476,000
Shenzhen	169,400
Foshan	603,400
Jiangmen	974,600
Zhongshan	230,100
Hong Kong	72,100
<b>Eastern China Region</b>	<b>3,029,900</b>
Hangzhou	1,476,800
Suzhou	1,231,700
Jiaxing	218,000
Nanjing	103,400
<b>Central China Region</b>	<b>3,803,400</b>
Wuhan	1,787,800
Xiangyang	905,400
Zhengzhou	137,900
Changsha	972,300
<b>Northern China Region</b>	<b>3,211,100</b>
Shengyang	428,600
Qingdao	1,836,000
Yantai	146,700
Ji'nan	799,800
<b>Southwestern China Region</b>	<b>870,200</b>
Chengdu	663,900
Chongqing	206,300
<b>Hainan</b>	<b>100,500</b>
Haikou	100,500
<b>Total</b>	<b>24,540,700</b>

- Greater Bay Area
- Eastern China Region
- Central China Region
- Northern China Region
- Southwestern China Region



- Tier 1
- Tier 2
- Tier 3 & 4



## PROPERTY DEVELOPMENT

## ● GREATER BAY AREA

**GUANGZHOU GRAND MANSION  
(PREVIOUS NAME: GUANGZHOU  
PANYU CHANGLONG SOUTH LAND)**

LANDBANK GFA: 457,400 sq.m.

**GUANGZHOU STARRY SKY CITY**

LANDBANK GFA: 195,700 sq.m.

**GUANGZHOU YUE MELODY**

LANDBANK GFA: 840,400 sq.m.



**GUANGZHOU TOD TOWN**

LANDBANK GFA: 703,400 sq.m.



**NANSHA JOY BAY**

LANDBANK GFA: 423,800 sq.m.



**GUANGZHOU INTERNATIONAL COMMERCIAL CENTER**

LANDBANK GFA: 228,600 sq.m.

## PROPERTY DEVELOPMENT

## ● GREATER BAY AREA

**GUANGZHOU YUE GALAXY**

LANDBANK GFA: 1,127,600 sq.m.

**HUADU ROYAL MANSION**

LANDBANK GFA: 187,100 sq.m.

**NANHAI STARRY MANSION**

LANDBANK GFA: 348,700 sq.m.





**SHENZHEN MAJESTIC MANSION**

LANDBANK GFA: 169,400 sq.m.

**ZHONGSHAN EMPYREAL BAY**

LANDBANK GFA: 230,100 sq.m.



**JIANGMEN YUEXIU BINJIANG GRAND CITY**

LANDBANK GFA: 164,500 sq.m.



## PROPERTY DEVELOPMENT

# ● EASTERN CHINA REGION



## HANGZHOU STARRY CITY

LANDBANK GFA: 470,600 sq.m.

## HANGZHOU JOY BAY

LANDBANK GFA: 173,500 sq.m.



## NANJING PUKOU QIAOLIN LAND

LANDBANK GFA: 103,400 sq.m.



**SUZHOU SPLENDID MANSION  
(PREVIOUS NAME: SUZHOU  
XIANGCHENG CHANGWANG LAND)**

LANDBANK GFA: 142,500 sq.m.

**SUZHOU TAICANG NEVER LAND**

LANDBANK GFA: 866,700 sq.m.



**JIAXING JOY LANE  
(PREVIOUS NAME:  
JIAXING NANHU YUXIN LAND)**

LANDBANK GFA: 218,000 sq.m.



## PROPERTY DEVELOPMENT

## ● CENTRAL CHINA REGION

**WUHAN HANYANG STARRY WINKING**

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

**WUHAN INTERNATIONAL FINANCIAL CITY**

LANDBANK GFA: 334,800 sq.m.

**XIANGYANG STARRY CITY**

LANDBANK GFA: 905,400 sq.m.





**ZHENGZHOU ELEGANT MANSION**

LANDBANK GFA: 137,900 sq.m.

**CHANGSHA STARRY CITY**

LANDBANK GFA: 709,300 sq.m.



**CHANGSHA YUE LAKE STAGE**

LANDBANK GFA: 130,600 sq.m.

## PROPERTY DEVELOPMENT

# ● NORTHERN AND SOUTHWESTERN CHINA REGION



## SHENYANG STARRY WINKING

LANDBANK GFA: 158,300 sq.m.

## QINGDAO STARRY CITY

LANDBANK GFA: 480,100 sq.m.



## YANTAI HI-TECH ZONE YANTAI NO.2 MIDDLE SCHOOL LAND

LANDBANK GFA: 146,700 sq.m.



**JI'NAN BAIMAI  
DELIGHTED MANSION**

LANDBANK GFA: 562,000 sq.m.

**CHENGDU GLORIOUS MANSION**

LANDBANK GFA: 296,900 sq.m.



**CHONGQING YUBEI  
CENTRAL PARK LAND**

LANDBANK GFA: 206,300 sq.m.



## INVESTOR RELATIONS REPORT

The Group believes that maintaining a good relationship with investors and improving the transparency of the company's information will help build and enhance confidence from the market in the Group. Therefore, the Group attaches great importance to an effective two-way communication with investors. The Group has set up an Investor Relations Department to act as an important communication role between the Group on one side and shareholders, investors and analysts on the other side. In 2020, the Group actively responded to the impact of the pandemic and maintained good interaction with investors on the premise of following the laws and regulations for listed companies and ensuring that investors have equal access to information:

An appropriate transparency has been maintained in information disclosure. In particular, the Group further optimized the contents of its interim and annual report, announcement, results presentation, press release, etc., and proactively published announcement on unaudited monthly sales and land acquisition, so as to update the capital market with the company's latest business developments in a timely manner.

The Group innovated the way of communicating with investors. In response to restrictions imposed on population movement and gathering due to the pandemic, which had certain impact on investor relations activities, the Group quickly sought new ways to effectively switch investor relations activities to an online mode and adopted innovative ways for investor relations activities such as holding results analyst briefing, Annual General Meeting, post-result roadshow, conference by brokers and one-on-one meetings by virtual channels, through which, investors were enabled to comprehensively understand the Group's operations and development strategies without going out. In addition, we maintained smooth daily communication with investors through e-mail, social software, etc., so that investors can be updated of the latest developments of the Group in a convenient and timely manner.

The scope of promotion was broadened. With the successful online investor activities and the stable control of the pandemic in the second half of the year, the Group further broadened the communication with investors in mainland China. The management of the Group actively participated in multiple offline roadshows and reverse roadshows, which enabled domestic investors to have a better understanding of our business development and future strategies.

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



# AWARDS AND RECOGNITIONS



## China Property Award of Supreme Excellence 2020

Organizing Committee of China Property Award of Supreme Excellence

## Listed Company Awards of Excellence 2020

Hong Kong Economic Journal

## 2020 Golden Kylin Hong Kong Stocks Value Award – Highest Growth Potential Listed Company

Sina Finance

## Golden Brick Award For Real Estate of China – 2020 Comprehensive Strength in Real Estate

21 Century Business Herald

## China Real Estate Fashion Awards – Top 30 China’s Most Influential Property Enterprise 2020

Guandian Index Academy

## 2020 China Real Estate Top 10 Most Competitive Company in Greater Bay Area

EH Consulting

## 2020 China TOD Benchmark Company

China Index Academy

## ESG AWARDS 2021

### BEST IN REPORTING AWARDS

#### Main Board – Middle Market Capitalisation

BDO

The Group’s Annual Report for the Year of 2019 Was Awarded:

2020 International ARC Awards – Honors – Traditional Annual Report: Property Development: Commercial

2020 International ARC Awards – Honors – Cover Photo/ Design: Property Development: Residential

2020 International ARC Awards – Bronze Winner – Interior Design: Property Development: Various & Multi-Use

2020 International ARC Awards – Bronze Winner – Interior Design: Property Development: Commercial

IADA Award 2020 – Silver Winner – PDF version – Real Estate Development Cover Design

IADA Award 2020 – Bronze Winner – Printed version – Traditional format – Real Estate Development Cover Design

# DIRECTORS' PROFILES

## EXECUTIVE DIRECTORS

**Mr Lin Zhaoyuan**, aged 51, 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 ("Guangzhou Paper Group"), 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 ("YXE"), 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 50, 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 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 of urban renewal group, Bay West, railway transit development of Greater Bay Area, Southwestern China Region, Hainan and Hong Kong 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 52, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of Guangzhou Yue Xiu and YXE and oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and YXE. 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 YXE in December 2001 and has successively held positions in Guangzhou Yue Xiu and YXE 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 YXE; 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 49, 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 YXE, a director of GCCD, Guangzhou Yuexiu Fengxing Foods Group Co., Ltd ("YX Fengxing Foods") and Guangzhou Yuexiu Fengxing Husbandry Co., Limited ("YX Fengxing Husbandry"), 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 42, 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 YXE, general manager of the human resources (organization) department of Guangzhou Yue Xiu and human resources department of YXE. She is also a director of GCCD, YX Fengxing Foods, YX Fengxing Husbandry and Guangzhou Paper Group. 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 obtained the qualification of Intermediate Economics(Human Resources Management). Ms Liu joined Guangzhou Yue Xiu in July 2002 and was a director of GZYFHL, Guangzhou Yuexiu Jinrong Holdings Group Co., Limited, Guangzhou Yuexiu Financial Leasing Co., Limited and Shanghai Yuexiu Finance Leasing Co., Limited, the head of human resources of Guangzhou Yue Xiu and YXE. 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, operation management, organisational management and control in large business enterprises.

### NON-EXECUTIVE DIRECTOR

**Mr Ouyang Changcheng**, aged 51, 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 of Guangzhou Metro, including as the deputy general engineer of Guangzhou Metro, the general manager of Guangzhou Zhongzi Chengui Urban Rail Engineering Consulting Co., Ltd (廣州中諮城軌工程諮詢有限公司), 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 led the planning and design of urban rail transit networks of Guangzhou. He is familiar with urban development planning and has strong integration and coordination capabilities in project management.

## DIRECTORS' PROFILES

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr Yu Lup Fat Joseph**, aged 73, 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 66, 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 73, 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 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, Helicoil Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

# CORPORATE GOVERNANCE REPORT

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

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

Throughout the year ended 31 December 2020, 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 2020.

For a list of directors during the year ended 31 December 2020 and up to the date of this annual report, please refer to page 68 of the Report of the Directors. The updated list of directors is also available on the Company's website ([www.yuexiuproperty.com](http://www.yuexiuproperty.com)) and the Stock Exchange's website.

## CORPORATE GOVERNANCE REPORT

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 2020, 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 investments as well as mergers and acquisitions, strategy of digital human resources, corporate governance and ESG management. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/Briefings
<i>Executive Directors</i>		
Lin Zhaoyuan	√	√
Lin Feng	√	√
Li Feng	√	√
Chen Jing	√	√
Liu Yan	√	√
<i>Non-Executive Director</i>		
Ouyang Changcheng	√	√
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

## CORPORATE GOVERNANCE REPORT

### Board Meetings

#### *Number of Meetings and Directors' Attendance*

In year 2020, 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
<i>Executive Directors</i>		
Lin Zhaoyuan	4/4	2/2
Lin Feng	4/4	2/2
Li Feng	4/4	2/2
Chen Jing	4/4	2/2
Liu Yan	4/4	2/2
<i>Non-Executive Director</i>		
Ouyang Changcheng	4/4	2/2
<i>Independent Non-Executive Directors</i>		
Yu Lup Fat Joseph	4/4	2/2
Lee Ka Lun	4/4	2/2
Lau Hon Chuen Ambrose	4/4	2/2

#### *Practices and Conduct of Meetings*

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

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

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

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

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

## 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](http://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 2020 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

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

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

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

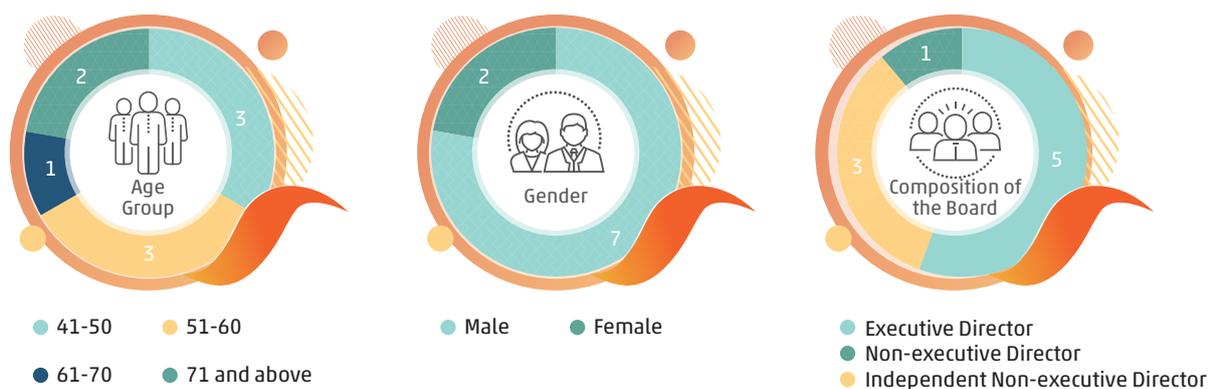
Members	Meeting Attended
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1
<i>Executive Director</i>	
Lin Zhaoyuan	1/1

One meeting was held in 2020 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.

### 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.

## CORPORATE GOVERNANCE REPORT

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

Members	Meeting Attended
<i>Executive Directors</i>	
Lin Zhaoyuan	1/1
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1

The Nomination Committee held one meeting during the year ended 31 December 2020 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 2020.

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 YXE, and also the company secretary of YXE, 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 2020, 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 2020.

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 2020 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.

## CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2020, 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](http://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 2020, 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 2020.

## 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 209 to 228.

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 94.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2020. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.057 equivalent to RMB0.051 per ordinary share paid on 18 November 2020	765,313
Proposed final dividend of HKD0.063 equivalent to RMB0.053 per ordinary share	820,561
	<u>1,585,874</u>

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, 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 1 June 2021, 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 Wednesday, 26 May 2021.

In addition, the register of members of the Company will be closed from Tuesday, 8 June 2021 to Wednesday, 9 June 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Monday, 7 June 2021.

## DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB10 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 2020 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 RMB3,520 million (2019: RMB2,787 million).

### DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB606 million (2019: RMB1,136 million).

## REPORT OF THE DIRECTORS

### 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 Ouyang Changcheng<sup>1</sup>

Mr Yu Lup Fat Joseph<sup>2</sup>

Mr Lee Ka Lun<sup>2</sup>

Mr Lau Hon Chuen Ambrose<sup>2</sup>

<sup>1</sup> *Non-executive Director*

<sup>2</sup> *Independent non-executive Directors*

The Directors' Profiles are set out on pages 54 to 56.

### ROTATION AND RE-ELECTION OF DIRECTORS

Mr Lin Zhaoyuan, Ms Liu Yan and Mr Lee Ka Lun 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](http://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	<p>On 29 October 2014, the Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HKD300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively</p> <p>The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019</p>	<p>The aggregate balance of bank deposits amounted to RMB2,095,522,642 as at 31 December 2020</p> <p>The highest daily aggregate amount of bank deposits during the year ended 31 December 2020 amounted to RMB6,108,348,174</p>

## REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
			<p>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</p>	
			<p>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</p>	

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 (Guangzhou Yue Xiu Holdings Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	<p>A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 ("2015 Framework Lease Agreement") for a term of three years commencing from 1 January 2016 to govern the leasing of the lease properties in relation to Yuexiu Financial Tower to Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries), 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</p> <p>The subsidiary of the Company entered into a new framework lease agreement with Guangzhou Yue Xiu on 17 January 2019 for a term of three years commencing with retrospective effect from 1 January 2019, and pursuant to which the aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB75,000,000 for each of the years ending 31 December 2019, 2020 and 2021, respectively</p>	RMB45,022,690

## REPORT OF THE DIRECTORS

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
22 January 2018	Guangzhou Yue Xiu	The ultimate holding company of the Company	<p>A subsidiary of the Company entered into a framework property management services agreement with Guangzhou Yue Xiu on 22 January 2018 for a term of three years commencing from 1 January 2018 to govern the transactions contemplated under the relevant tenant management agreements in respect of Guangzhou International Finance Center entered or to be entered into with Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries)</p> <p>The aggregate annual amount of the management fees payable by the aforesaid connected parties under the relevant tenant management agreements are subject to the annual caps of RMB30,000,000 for each of the three years ending 31 December 2018, 2019 and 2020, respectively</p>	RMB9,654,400
21 August 2019	Chong Hing Bank	A fellow subsidiary	<p>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</p>	<p>Total Spread of Spot Contract: HKD600,000</p> <p>Total Hedging Cost of Forward Contract: HKD nil</p>

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
23 November 2020	廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*) ("Guangzhou Metro")	The substantial shareholder of the Company	<p data-bbox="718 500 1246 1403">On 23 November 2020, a subsidiary of the Company and Guangzhou Metro enter into the equity transfer agreement, to acquire 67.0% of the equity interest in Guangzhou Metro Environmental Engineering Co., Ltd.* (廣州地鐵環境工程有限公司) ("GZMEE") and 67.0% of the indirect effective equity interest in Guangzhou Metro Property Management Co., Ltd.* (廣州地鐵物業管理有限責任公司) ("GZMPM"). Following completion of the equity transfer agreement, the GZMEE and GZMPM become subsidiaries of the Company and continue to provide property management and other ancillary services to Guangzhou Metro and its associates. The abovementioned transactions constitute continuing connected transactions of the Company. As such, on 23 November 2020, GZMEE, GZMPM and Guangzhou Metro entered into the framework property management Services agreement to govern the transactions contemplated thereunder. The term of the framework property management services agreement commences on 30 November 2020 up to and including 31 December 2022.</p> <p data-bbox="718 1425 1246 1679">The annual caps for the transactions contemplated under the framework property management services agreement will be RMB22.0 million, RMB264.0 million and RMB316.8 million from 30 November 2020 up to 31 December 2020 and for the years ending 31 December 2021 and 2022, respectively.</p>	RMB18,700,000

## REPORT OF THE DIRECTORS

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

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

On 13 March 2020, Crown Smart Investment Limited ("Crown Smart"), an indirect wholly-owned subsidiary of the Company and Techcon Investment Limited ("Techcon"), an indirect wholly-owned subsidiary of YUE XIU ENTERPRISES (HOLDINGS) LIMITED ("YXE"), entered into the hotel redevelopment agreement pursuant to which Crown Smart would be engaged by Techcon as the project manager for the redevelopment of the South China Hotel in North Point of Hong Kong. Techcon is an indirect wholly-owned subsidiary of YXE, the controlling shareholder of the Company and therefore, Techcon is connected person of the Company and the hotel redevelopment agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

On 1 September 2020, 廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.\*) (as purchaser) and 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), both subsidiaries of the Company, entered into the transaction documents with Strong Arise Limited (as seller), a wholly-owned subsidiary of GZYX, and GZYX to acquire the entire equity interest in 廣州泉龍實業發展有限公司 (Guangzhou Quanlong Industrial Development Company Limited\*) and 廣州泉西實業發展有限公司 (Guangzhou Quanxi Industrial Development Company Limited\*) (which hold the respectively 51% equity interests in 廣州市品輝房地產開發有限公司 (Guangzhou City Pinghui Property Development Company Limited\*) and 廣州市品冠房地產開發有限公司 (Guangzhou City Pinguan Property Development Company Limited\*)) together with the relevant interests in loans. The total acquisition amounts payable for the two acquisitions was approximately RMB5,319 million in total. Guangzhou Yue Xiu wholly-owns YXE (the controlling shareholder of the Company) and is therefore an associate of YXE and, hence, a connected person of the Company. Accordingly, each of the acquisitions constitutes a connected transaction of the Company.

On 22 November 2020, 廣州越秀康養產業投資控股有限公司 (Guangzhou Yuexiu Kangyang Property Investment Limited\*) ("Yuexiu Kangyang") and 廣州靜頤投資發展有限公司 (Guangzhou Jingyi Investment Development Limited\*) ("Jingyi Investment"), both subsidiaries of the Company, 廣州越秀資本管理有限公司 (Guangzhou Yuexiu Capital Management Limited\*) ("GZYX Capital") and 廣州越秀產業投資基金管理股份有限公司 (Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.\*) ("GZYX Investment Management"), both subsidiaries of GZYX, and 廣州國企創新基金有限公司 (Guangzhou Guoqi Innovative Fund Limited\*) ("Guoqi Innovative Fund"), have entered into the partnership agreement to establish 廣州越秀康養投資合夥企業 (有限合夥) (Guangzhou Yuexiu Kangyang Investment Fund (Limited Partnership)\*) (the "Partnership Fund") for the purpose of conducting investments or acquiring projects or companies in the elderly care sector. The total committed investment amount of the parties into the registered capital of the Partnership Fund is RMB500,000,000, Yuexiu Kangyang (as a limited partner) and Jingyi Investment (as a co-general partner) have agreed to subscribe for 54.8% and 0.2% respectively of the registered capital of the Partnership Fund. Each of GZYX Capital and GZYX Investment Management is a connected person of the Company as they are both subsidiaries of GZYX, the controlling shareholder of the Company. As such, the formation of the Partnership Fund by the entering into of the Partnership Documents constitutes a connected transaction of the Company.

On 23 November 2020, Guangzhou Metro (as "Vendor"), Guangzhou Yuexiu Property Development Co., Ltd.\* (廣州越秀物業發展有限公司) (as purchaser) and GZMEE and GZMPM entered into the equity transfer agreement, to acquire 67.0% of the equity interest in GZMEE and 67.0% of the indirect effective equity interest in GZMPM (indirectly through GZMEE's shareholding in GZMPM), which are both property management service companies, at a total consideration of RMB281.74 million (including tax payable of RMB5.0 million). The Vendor is a substantial shareholder of the Company and is therefore a connected person of the Company. As such, the acquisition constitutes a connected transaction of the Company.

On 23 December 2020, the Company (as assignor) entered into the assignment agreement with Yuexiu Capital Holdings Limited ("Yuexiu Capital") (as assignee) to assign and transfer all of the Company's rights, title, interest and benefits in and to the 2020 deferred units absolutely to Yuexiu Capital for a consideration of HK\$223.82 million. As Yuexiu Capital is a wholly-owned subsidiary of YXE, which is in turn the controlling shareholder of the Company, the entering into of the assignment agreement constitutes a connected transaction of the Company.

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

\* For identification purpose only

### INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2020, 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:

## REPORT OF THE DIRECTORS

### 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	7,424,010	0.048
Mr Lin Feng (Note 2)	Beneficial owner/ Beneficiary of a trust/ Spouse interest	9,122,925	0.059
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 7,424,010 Shares, out of which 2,392,222 Shares are owned by him as beneficial owner, 5,031,788 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 9,122,925 Shares, out of which 4,449,524 Shares are owned by him as beneficial owner, 4,573,401 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 2020, 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 2020, 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 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
Yue Xiu Enterprises (Holdings) Limited ("YXE")	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 2020, 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
YXE	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 i)	978,065,907
Morrison Pacific Limited ("Morrison") (Note i)	273,266,721
Greenwood Pacific Limited ("Greenwood") (Note i)	234,689,273
Goldstock International Limited ("Goldstock") (Note i)	60,918,133
Yue Xiu Finance Company Limited ("Yue Xiu Finance") (Note i)	7,583,855

(i) Superb, Bosworth, Novena, Morrison, Greenwood, Goldstock and Yue Xiu Finance are wholly-owned by YXE.

## REPORT OF THE DIRECTORS

### Note 2:

Pursuant to the SFO as at 31 December 2020, 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 2020, 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, 16 March 2021

# 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.

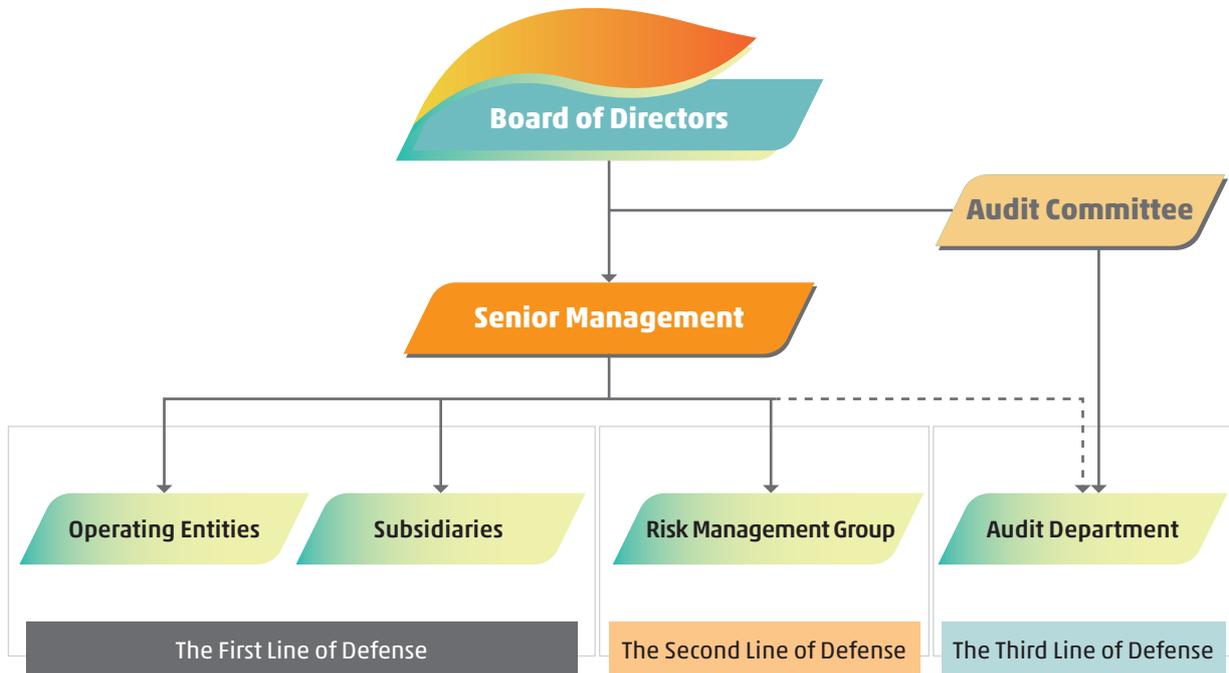
## II. RISK APPETITE

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;

## RISK MANAGEMENT REPORT

### 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) management centre, 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.

## RISK MANAGEMENT REPORT

### 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 2020

In 2020, in response to challenges posed by the COVID-19 pandemic, the Group adopted high technology tools on the basis of the established system to manage its risk appetite. A closed-loop management was formed through high-frequency monitoring, high-frequency feedback and effective assessment to ensure the achievement of overall business objectives of the Company. Under the changing internal and external environment, identification and evaluation of major risk was strengthened and risk management for core operations such as investment, development and marketing was enhanced, thus safeguarding the healthy development of the Company.

For strategic risks, the Group set clear strategic direction in the 14th Five-Year Plan and targeted, strengthened internal, external and special studies to improve risk sensitivity, enhanced the analysis of response speed of the major macro strategies, policies regional planning and financial policies 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 in the context of the "Three Red Lines", 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 and reduce uncertainty.

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 design management, marketing management, operation management, materials procurement, construction management and risk management, as well as regular internal assessment.

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.

## RISK MANAGEMENT REPORT

### VII. 2021 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
Policy regulation risk	Systemic risk. The central government will adhere to the positioning "housing for living instead of speculation" and continue to implement policies designed for a stable market.	<ol style="list-style-type: none"> <li>1. Continue to conduct analysis on real estate market as well as collect, analyze, study and report information on national policies on an ongoing basis in order to improve risk sensitivity.</li> <li>2. Strengthen the ability to coordinate funds to ensure funding requirements bidding for land under the double centralized land supply model.</li> <li>3. Enhance diversified land acquisition capabilities and broaden Land acquisition channels to enrich the risk assets portfolio.</li> </ol>

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Market fluctuation 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.	<ol style="list-style-type: none"> <li>1. Establish a rapid response and adjustment mechanism for major macro-strategies, policies and regional plans announced by the central and local governments.</li> <li>2. Coordinate and manage the external database of the Company and contact the research institutes of big data strategy on an ongoing basis.</li> <li>3. Reasonably match product types to reduce the impact of other black swan events.</li> </ol>
Investment feasibility study and decision making risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	<ol style="list-style-type: none"> <li>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.</li> <li>2. Apply the investment risk assessment model to comprehensively describe the risk profile of land parcels at the more microscopic level of segments.</li> <li>3. Improve investment benchmarks, enhance income requirements, achieve high-quality investment, and implement a resource coordination mechanism.</li> <li>4. Monitor the return and risk of investment projects in a dynamic manner.</li> </ol>

## RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Product positioning risk	The risk of the Group' s dull sale or business results being hurt as a result of deviation from the market demand in respect of product design, product functions and quality, time of launch and product positioning in the market.	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3. Strengthen the whole process management of the project aiming at "improving quality control".</li> <li>4. Position the project more accurately according to the consumption atmosphere in the vicinity of the project and the driving force of the segment.</li> </ol>
Business operation risk	Inadequate business management model and positioning of commercial properties which affect the realization of the business objectives of the commercial properties of the Group.	<ol style="list-style-type: none"> <li>1. The Group will strengthen the ability of project planning and design, promotes customization of product planning and promotes added value of products.</li> <li>2. Accurately position the commercial projects, actively expand investment pipelines, and improve business operation capacity and profitability.</li> <li>3. Through external data, analyze the impact of the enterprise composition and enterprise aggregation effect of the trade area on business operations.</li> </ol>

# 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 94 to 208, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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.

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T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties held by the Group and its associated entity</p> <p>Refer to notes 3.3(b), 4(a), 18 and 22 to the consolidated financial statements</p> <p>Management has estimated the fair value of the Group's investment properties to be RMB16,076 million at 31 December 2020, with a revaluation gain for the year ended 31 December 2020 recorded in the consolidated statement of profit or loss of RMB641 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associated entity, amounted to RMB29,700 million (attributable to the Group amounted to RMB11,298 million) at 31 December 2020, with a revaluation loss for the year ended 31 December 2020 recorded in the consolidated statement of profit or loss of RMB298 million (attributable to the Group amounted to RMB113 million).</p> <p>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. The valuations of investment properties under development are also dependent upon key assumptions including the market prices, the estimated costs to completion and estimated developer's profit and risk margins.</p> <p>Due to the significant judgement and estimates involved, specific audit focus was placed on this area.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <ul style="list-style-type: none"> <li>• Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity;</li> <li>• Obtaining the valuation reports for all properties and assessing that whether the valuation approach adopted was suitable for use in determining the fair value for the purpose of the financial statements;</li> <li>• 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;</li> <li>• 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; and</li> <li>• Checking relevant facts include but not limited to the Group's business plan and financial resources.</li> </ul> <p>We found that the assumptions and estimates made by the management in relation to the valuation and substantive evidences of a change in use were supported by the available audit evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Net realisable value of properties under development and properties held for sale held by the Group</p> <p>Refer to notes 4(b), 25 and 26 to the consolidated financial statements</p> <p>The Group had properties under development and properties held for sale of RMB132,441 million and RMB24,896 million, respectively, as at 31 December 2020. 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.</p>	<p>Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Obtaining understanding from management and performing assessment on the latest status and development plans of the underlying property projects, such as budgeted estimated costs to completion approved by management; and</li> <li>• Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value.</li> </ul> <p>We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.</p>

## OTHER INFORMATION

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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, 16 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	5	46,234,259	38,339,112
Cost of sales	6	(34,608,171)	(25,221,725)
Gross profit		11,626,088	13,117,387
Sales of investment properties		34,333	137,487
Direct costs of investment properties sold		(30,877)	(103,511)
Gain on sales of investment properties	20	3,456	33,976
Fair value gains/(losses) on revaluation of investment properties, net	18	641,106	(23,434)
Other gains, net	7	26,805	799,285
Selling and marketing costs	6	(1,210,136)	(999,568)
Administrative expenses	6	(1,343,638)	(1,234,510)
Operating profit		9,743,681	11,693,136
Finance income	8	458,874	382,497
Finance costs	9	(934,624)	(1,160,942)
Share of profit of			
– joint ventures	21	426,557	12,037
– associated entities	22	505,754	486,318
Profit before taxation		10,200,242	11,413,046
Taxation	10	(5,517,342)	(6,682,538)
Profit for the year		4,682,900	4,730,508
Attributable to:			
– Equity holders of the Company		4,247,860	3,483,351
– Non-controlling interests		435,040	1,247,157
		4,682,900	4,730,508
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	0.2744	0.2410

The notes on pages 103 to 208 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Profit for the year		<b>4,682,900</b>	4,730,508
Other comprehensive income:			
<u>Items that may be reclassified to profit or loss</u>			
Exchange differences on translation of foreign operations		<b>199,832</b>	(205,091)
(Losses)/gains on cash flow hedges	36	<b>(604,395)</b>	31,374
Costs of hedging	36	<b>58,974</b>	7,597
Hedging losses reclassified to profit or loss	36	<b>657,397</b>	12,664
<u>Items that will not be reclassified to profit or loss</u>			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		<b>(31,274)</b>	44,558
Other comprehensive income/(loss) for the year, net of tax		<b>280,534</b>	(108,898)
Total comprehensive income for the year		<b>4,963,434</b>	4,621,610
Attributable to:			
– Equity holders of the Company		<b>4,530,095</b>	3,372,030
– Non-controlling interests		<b>433,339</b>	1,249,580
		<b>4,963,434</b>	4,621,610

The notes on pages 103 to 208 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	3,201,114	2,505,924
Right-of-use assets	17	3,927,325	4,065,788
Investment properties	18	16,076,236	9,438,108
Intangible assets	24	386,945	85,995
Properties under development	25	6,330,244	11,532,544
Interests in joint ventures	21	5,673,259	7,162,021
Interests in associated entities	22	13,554,213	12,830,629
Financial assets at fair value through other comprehensive income	23	1,247,902	1,293,264
Derivative financial instruments	36	—	65,179
Deferred tax assets	40	1,169,981	665,128
		<b>51,567,219</b>	<b>49,644,580</b>
<b>Current assets</b>			
Properties under development	25	126,110,685	125,407,543
Properties held for sale	26	24,896,445	13,446,673
Contract costs	27	597,440	481,320
Prepayments for land use rights		4,142,147	3,086,312
Trade receivables	28	161,837	68,309
Other receivables, prepayments and deposits	29	15,104,853	9,956,283
Prepaid taxation		3,307,405	2,416,865
Charged bank deposits	30	9,094,268	6,083,829
Cash and cash equivalents	31	28,213,701	24,105,541
		<b>211,628,781</b>	<b>185,052,675</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	32	2,255,706	2,432,898
Contract liabilities	33	54,201,054	41,942,500
Other payables and accrued charges	34	49,235,822	47,665,154
Borrowings	35	16,576,244	7,138,023
Lease liabilities	17	151,209	114,542
Derivative financial instruments	36	358,703	1,347
Taxation payable		8,806,721	7,623,170
		<b>131,585,459</b>	<b>106,917,634</b>
<b>Net current assets</b>		<b>80,043,322</b>	<b>78,135,041</b>
<b>Total assets less current liabilities</b>		<b>131,610,541</b>	<b>127,779,621</b>

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current liabilities</b>			
Borrowings	35	51,263,116	63,883,633
Lease liabilities	17	566,477	563,665
Deferred tax liabilities	40	7,134,042	6,911,015
Deferred revenue		52,035	53,829
Derivative financial instruments	36	161,524	–
Other payables and accrued charges	34	8,157,232	1,175,663
		<b>67,334,426</b>	<b>72,587,805</b>
<b>Net assets</b>			
		<b>64,276,115</b>	<b>55,191,816</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	37	18,035,015	18,035,015
Shares held under share award scheme	38	(121,282)	(81,577)
Other reserves	39	1,225,639	567,349
Retained earnings	39	24,608,285	22,202,721
		<b>43,747,657</b>	<b>40,723,508</b>
Non-controlling interests		20,528,458	14,468,308
		<b>64,276,115</b>	<b>55,191,816</b>

On behalf of the Board

**Lin Zhaoyuan**  
Director

**Lin Feng**  
Director

The notes on pages 103 to 208 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Operating profit</b>		<b>9,743,681</b>	11,693,136
Adjustments for:			
Depreciation and amortisation	6	321,458	210,027
Gain on disposal of property, plant and equipment		(520)	(786)
Gain on sales of investment properties	20	(3,456)	(33,976)
Fair value (gain)/losses on revaluation of investment properties, net	18	(641,106)	23,434
Fair value (gain)/loss on derivative financial instrument		(1,347)	1,347
Support expenses on support arrangement	7	22,947	32,318
Amortisation of deferred revenue		(1,794)	(1,795)
Provision for impairment of properties under development and properties held for sale	6	870,591	179,796
Gain on disposal of deferred units	7	(8,928)	–
Gain on disposal of subsidiaries	7	–	(22,192)
Remeasurement gains on interests in a joint venture	7	–	(765,623)
Gain on bargain purchase on acquisition	7	–	(10,561)
Operating cash flows before movements in working capital		<b>10,301,526</b>	11,305,125
Decrease/(increase) in properties under development, properties held for sale and prepayments for land use rights		<b>4,266,189</b>	(2,785,525)
Increase in contract costs		<b>(116,120)</b>	(70,872)
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits		<b>(3,215,723)</b>	56,499
Increase in trade and note payables, contract liabilities, other payables and accrued charges		<b>13,632,669</b>	5,141,873
Net exchange difference for working capital		<b>199,829</b>	3,033
Net cash generated from operations		<b>25,068,370</b>	13,650,133
Interest received		194,621	158,139
Interest paid		(3,825,859)	(3,737,996)
Hong Kong profits tax paid		(12,196)	(1,296)
China taxation paid		(5,468,622)	(3,699,207)
<b>Net cash generated from operating activities</b>		<b>15,956,314</b>	6,369,773

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Investing activities</b>			
Purchases of property, plant and equipment, investment properties and intangible assets		(661,055)	(291,216)
Proceeds from sales of property, plant and equipment		12,739	2,084
Proceeds from sale of investment properties		34,333	136,614
Increase in charged bank deposits		(3,010,439)	(915,079)
Payment for acquisition of subsidiaries, net of cash acquired		(5,494,177)	(12,303,753)
Proceeds from disposal of subsidiaries, net of cash disposed		–	2,301,715
Capital injection in joint ventures		(191,158)	(476,026)
Decrease in amounts due from related companies		7,435	–
Capital injection in associated entities		(2,283,875)	(249,650)
Proceeds from sales of deferred units	47(b)	196,111	–
Dividends received from associated entities		460,758	380,771
Repayment of amounts due from joint ventures and associated entities		3,355,732	580,163
Increase in amounts due from associated entities and joint ventures		(1,118,545)	(10,606,465)
(Increase)/decrease in amounts due from related parties of non-controlling interests and non-controlling interests		(1,104,796)	1,271,380
<b>Net cash used in investing activities</b>		<b>(9,796,937)</b>	<b>(20,169,462)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Financing activities</b>			
Capital contribution from non-controlling interests		4,221,186	534,440
Dividends paid to equity holders of the Company		(1,466,241)	(1,432,672)
Dividends paid to non-controlling interests		–	(51,356)
Increase in amounts due to an intermediate holding company		1,701,803	400,299
Increase in amounts due to joint ventures and associated entities		1,157,409	9,292,462
Decrease in amounts due to shareholders		(3,019,765)	–
Increase in amounts due to related companies		5,488	81
Increase/(decrease) in amounts due to fellow subsidiaries		227,771	(35,974)
Decrease in amounts due to ultimate holding company		(176,261)	(3,068,068)
Decrease in amounts due to related parties of non-controlling interests and non-controlling interests		(2,623,755)	(2,562,027)
Proceeds from bank borrowings		16,167,251	18,387,375
Repayment of bank borrowings		(16,743,982)	(14,229,245)
Proceeds from other borrowings		1,536,819	12,753,828
Repayment of other borrowings		(2,723,804)	(4,001,000)
Repayment for lease liabilities		(227,802)	(91,956)
Decrease in bank overdraft		(9)	(16)
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,963,892)</b>	<b>15,896,171</b>
Increase in cash and cash equivalents		4,195,485	2,096,482
Cash and cash equivalents at the beginning of year		24,105,500	21,990,455
Exchange (loss)/gain on cash and cash equivalents		(87,316)	18,563
<b>Cash and cash equivalents at the end of year</b>		<b>28,213,669</b>	<b>24,105,500</b>
Analysis of balances of cash and cash equivalents			
Bank balances and cash	31	28,213,701	24,105,541
Bank overdrafts	35	(32)	(41)
		<b>28,213,669</b>	<b>24,105,500</b>

The notes on pages 103 to 208 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020	18,035,015	(81,577)	22,770,070	14,468,308	55,191,816
<b>Comprehensive income</b>					
Profit for the year	–	–	4,247,860	435,040	4,682,900
<b>Other comprehensive income</b>					
Currency translation differences	–	–	199,832	–	199,832
Change in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(29,573)	(1,701)	(31,274)
Losses on cash flow hedges	–	–	(604,395)	–	(604,395)
Costs of hedging	–	–	58,974	–	58,974
Hedging losses reclassified to profit or loss	–	–	657,397	–	657,397
Total other comprehensive income	–	–	282,235	(1,701)	280,534
<b>Total comprehensive income</b>	–	–	4,530,095	433,339	4,963,434
<b>Transactions with owners</b>					
Dividends	–	–	(1,466,241)	(50,182)	(1,516,423)
Capital injection to subsidiaries	–	–	–	4,221,186	4,221,186
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	1,455,807	1,455,807
Acquisition of shares under share award scheme (note 38)	–	(72,366)	–	–	(72,366)
Shares granted to employees (note 38)	–	32,661	–	–	32,661
Total transactions with owners	–	(39,705)	(1,466,241)	5,626,811	4,120,865
At 31 December 2020	18,035,015	(121,282)	25,833,924	20,528,458	64,276,115

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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
<b>Comprehensive income</b>					
Profit for the year	—	—	3,483,351	1,247,157	4,730,508
<b>Other comprehensive income</b>					
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)
<b>Total comprehensive income</b>	—	—	3,372,030	1,249,580	4,621,610
<b>Transactions with owners</b>					
Issuance of shares	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	—	—	—	2,899,406	2,899,406
Acquisition of shares under share award scheme (note 38)	—	(51,183)	—	—	(51,183)
Shares granted to employees (note 38)	—	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

The notes on pages 103 to 208 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 16 March 2021.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") has brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention to the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issuance, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

(iii) *The Group has applied the following, amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2020:*

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
Conceptual for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. The adoption of these amended standards and interpretation did not result in any significant impact on the results and financial portion of the Group.

(iv) *New standards and amendments to existing standards and interpretation 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 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts- Cost of Fulfilling a Contract	1 January 2022
HKFRS 9, HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

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

The above new standards and amendments to existing standards and interpretation are effective for annual periods beginning on or after 1 June 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 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 2.3).

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.

- (ii) *Associated entities*

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

- (iii) *Joint arrangements*

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Principles of consolidation and equity accounting (Continued)

##### *(iv) Equity method*

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

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 2.10.

##### *(v) Changes in ownership interests*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.4 Separate financial statements

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

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

#### 2.5 Segment reporting

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

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

#### 2.6 Foreign currency translation

##### (i) *Functional and presentation currency*

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

##### (ii) *Transactions and balances*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Foreign currency translation (Continued)

#### (iii) Group companies

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

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

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

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

#### (iv) Disposal of foreign operation and partial disposal

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Property, plant and equipment

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

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

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

Land	50 years
Buildings	18-40 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Investment properties

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

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

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

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; and
- inception of an operating lease to another party, for a transfer from inventories to investment property.

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

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

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

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Intangible assets

##### (i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

##### (ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life of 7 years and 10 years and are subsequently carried at cost less accumulated amortization and impairment losses.

##### (iii) Software

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.

#### 2.10 Impairment of non-financial assets

Goodwill and 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Investments and other financial assets (Continued)

##### (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.

#### 2.12 Offsetting financial instruments

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

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

#### 2.13 Financial guarantees contracts

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain foreign currency forward contracts as hedges of foreign currency risk associated with the cash flows of foreign currency-denominated borrowings.

The Group documents at the inception of the hedge the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking its hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

The fair values of derivative financial instruments designated as hedging instruments are disclosed in note 3.3(a). Movements in the hedging reserve in shareholders' equity are shown in note 39. 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.

#### (i) *Cash flow hedges that qualify 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 foreign exchange forward contracts are used to hedge foreign currency borrowings, the Group designates only the change in the fair value of the forward contracts related to the spot component as the hedging instruments. Gains or losses relating to the effective portion of the change in fair value of the hedging instruments 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. The movement in spot rate is recycled from equity to profit or loss to offset the foreign exchange gain or loss arising from translation of the hedged foreign currency borrowings. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss on the hedging instrument that remains in equity at that time remains recognised in equity and is reclassified to profit or loss when the hedged item affects profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.14 Derivatives and hedging activities (Continued)

##### *(ii) Costs of hedging*

Forward element and foreign currency basis spread may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements that relates to the hedged item is recognised in the costs of hedging reserve within equity. These elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the period.

##### *(iii) 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.

#### 2.15 Trade receivable

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11(iv) and 3.1(b) for a description of the Group's impairment policies.

#### 2.16 Properties under development and properties held for sale

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Cash and cash equivalents

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

### 2.18 Trade and note payables

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

### 2.19 Borrowings

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

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

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

### 2.20 Borrowing costs

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.21 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.

#### 2.22 Current and deferred income tax

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

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

##### (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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Current and deferred income tax (Continued)

#### (ii) *Deferred income tax (Continued)*

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.

### 2.23 Employee benefits

#### (i) *Short-term obligations*

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.23 Employee benefits (Continued)

##### *(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 38.

##### *(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)

### 2.24 Provisions

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

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

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

### 2.25 Revenue recognition

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

#### (a) Sales of properties

Under HKFRS 15, revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.25 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.

#### 2.26 Leases

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Leases (Continued)

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

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.26 Leases (Continued)

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 without a purchase option.

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 17). 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.

#### 2.27 Government grants

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

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.

#### 2.28 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.

#### 2.29 Interest income

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 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 RMB1,198 million (2019: RMB588 million) and bank borrowings of approximately RMB8,191 million (2019: RMB9,584 million) which were denominated in HKD and cash and bank balances of approximately RMB498 million (2019: RMB367 million) and bank borrowings of approximately RMB11,072 million (2019: RMB11,816 million) which were dominated in USD as at 31 December 2020. The Group has entered into several forward exchange contracts to hedge its exposure to foreign currency risk during the year ended 31 December 2020.

At 31 December 2020, 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 RMB733 million higher/lower (2019: post-tax profit RMB854 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

## NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

## (a) Market risk (Continued)

## (i) Foreign exchange risk (Continued)

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

	2020 RMB'000	2019 RMB'000
Foreign currency forwards		
Carrying amount (current liability/asset)	(505,775)	39,646
Notional amount	8,526,677	8,526,677
Maturity date	April 2021- Oct 2023	April 2021- Oct 2023
Hedge ratio (note)	1:1	1:1
Favourable/(Unfavourable) changes in fair value of the hedging instruments used for measuring ineffectiveness for the period	(604,395)	(31,374)
Favourable/(Unfavourable) changes in value of hedged item used to determine hedge ineffectiveness for the period	604,395	31,374
Weighted average contracted forward rate for outstanding hedging instruments (including forward points) - USD: RMB1	7.11	7.11

Note: The foreign currency forwards are denominated in the same currency as the committed loan payable (USD), therefore the hedge ratio is 1:1.

## (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 2020, fixed interest rate borrowings accounted for approximately 57% (31 December 2019: 58%) of the total borrowings.

At 31 December 2020, 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 RMB66 million lower/higher (2019: post-tax profit RMB67 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Market risk (Continued)

##### (iii) Price risk

The Group is exposed to equity securities price risk in its 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 RMB81 million (2019: RMB84 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 43.

For trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at year end to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### *(b) Credit risk (Continued)*

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

- (i) 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

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

##### (ii) Trade and other receivables

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 2020, RMB27 million of loss allowance was provided according to the simplified approach.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### *(b) Credit risk (Continued)*

Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

As at 31 December 2020, certain customers were in delinquency of payments and their respective trade receivable balances amounting to approximately RMB9 million (31 December 2019: RMB9 million) therefore fully impaired.

The Group has assessed that the expected loss rate for other receivables from government authorities, related parties, non-controlling interest ("NCI") and related parties of NCI as at 31 December 2020 was immaterial considering their good finance position and credit history. Thus no loss allowance provision for and other receivables from government authorities, related parties, NCI and related parties of NCI was recognised.

Other than other receivables from government authorities, related parties, NCI and related parties of NCI, the Group uses the expected credit loss model in note (i) to determine the expected loss provision for other receivables. As at 31 December 2020, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus the Group used 12 months expected credit losses model to assess credit loss of other receivables except for certain property management costs recoverable.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be near to zero and no loss allowance provision is made for these deposits during the year.

For other receivables, based on the Group's assessments, the loss allowance provision was not material.

##### *(c) Liquidity risk*

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings 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 2020					
Borrowings (principal amount plus interest)	19,131,768	20,848,203	29,892,160	6,526,081	76,398,212
Trade and note payables (note 32)	2,255,706	–	–	–	2,255,706
Other payables and accrued charges	45,266,185	5,770,894	3,229,320	–	54,266,399
Lease liabilities	181,272	122,738	178,671	382,313	864,994
Financial guarantee (note 43)	35,443,052	–	–	–	35,443,052
Derivative financial instruments	358,703	–	161,524	–	520,227
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 32)	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 43)	22,125,405	–	–	–	22,125,405
Derivative financial instruments	1,347	–	–	–	1,347

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital management (Continued)

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 2020 and 2019 were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total borrowings (note 35)	67,839,360	71,021,656
Lease liabilities (note 17)	717,686	678,207
Less: Cash and cash equivalents (note 31)	(28,213,701)	(24,105,541)
Net debt	40,343,345	47,594,322
Total equity (including non-controlling interests)	64,276,115	55,191,816
Total capital	104,619,460	102,786,138
Gearing ratio	38.6%	46.3%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The decrease in the gearing ratio during 2020 is primarily due to the decrease in net debt of the Group at the end of year.

### 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 2020	Level 2 RMB'000	Level 3 RMB'000
<b>Financial assets</b>		
Financial assets at FVOCI (note 23)	—	1,247,902
<b>Financial liabilities</b>		
Derivative financial instrument – foreign currency forwards	520,227	—
At 31 December 2019	Level 2 RMB'000	Level 3 RMB'000
<b>Financial assets</b>		
Derivative financial instruments – foreign currency forwards	65,179	—
Financial assets at FVOCI (note 23)	—	1,293,264
<b>Total financial assets</b>	65,179	1,293,264
<b>Financial liabilities</b>		
Derivative financial instrument – embedded derivative of exchangeable bond	—	1,347

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### (a) Financial assets and liabilities (Continued)

##### (i) Fair value hierarchy (Continued)

**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

##### (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 2020 and 31 December 2019.

### 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 2020.

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.

The Group measures its financial assets at FVOCI at fair value. Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December 2020 RMB'000	Valuation technique	Unobservable input	Weighted average
Unlisted equity security	3,236	Summation Method	Value of each asset/liability	N/A
Unlisted equity security	1,244,666	Guideline Public Company Method	(1) Discount of lack of marketability (2) Applicable P/E ratio (3) Applicable P/B ratio	(1) 35% to 40% (2) 10.34 (3) 0.47

Description	Fair value at 31 December 2019 RMB'000	Valuation technique	Unobservable input	Weighted average
Unlisted equity security	3,236	Summation Method	Value of each asset/liability	N/A
Unlisted equity security	1,290,028	Guideline Public Company Method	(1) Discount of lack of marketability (2) Applicable P/E ratio (3) Applicable P/B ratio	(1) 35% to 40% (2) 8.69 (3) 0.60

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### (a) Financial assets and liabilities (Continued)

##### (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

##### (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	
	2020 RMB'000	2019 RMB'000
Investment properties (note 18)	16,076,236	9,438,108
Total non-financial assets	16,076,236	9,438,108

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.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

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

##### (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.

Fair values of investment properties under development are also dependent upon the market prices and estimated developer's profit. Details of the valuation techniques and key assumptions used in the valuation of the investment properties which are measured at fair value are set out in note 18.

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

As at 31 December 2020, all investment properties are included in level 3 fair value hierarchy.

##### (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 2020 and 31 December 2019.

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

The best evidence of fair value is current prices in an active market for the properties with similar lease and their contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- (iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

## NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Fair value estimation (Continued)

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

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

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 2020 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in PRC	3,172,300	Residual method	(1) Market rent (2) Developer's profit	(1) RMB57/sqm/mth to RMB256/sqm/mth (2) 5%
Completed investment properties in PRC	12,203,965	Comparison method and income capitalisation method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) RMB15,400/sqm to RMB 26,000/sqm (2) RMB48/sqm/mth to RMB696/sqm/mth (3) 3.8% to 7%
Completed investment properties in Hong Kong	699,971	Comparison method and income capitalisation method	(1) Market price (2) Market rent (3) Capitalisation rate	(1) HKD3,249/sq.ft to HKD20,693/sq.ft (2) HKD7/sf/mth to HKD200/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 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%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher market rent, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

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

##### (v) **Valuation processes**

The Group measures its investment properties at fair value. The investment properties were revalued by JLL, who have recent experience in the locations and segments of the investment properties valued, at 31 December 2020. 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) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION

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

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

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

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
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.

## 5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
<b>Year ended 31 December 2020</b>					
Revenue	43,464,868	1,178,885	635,451	3,617,940	48,897,144
Inter-segment revenue	—	(376,972)	(32,647)	(2,253,266)	(2,662,885)
Revenue from external customers	<u>43,464,868</u>	<u>801,913</u>	<u>602,804</u>	<u>1,364,674</u>	<u>46,234,259</u>
Revenue from contracts with customers:					
Recognised at a point in time	43,464,868	—	—	549,131	44,013,999
Recognised over time	—	801,913	—	815,543	1,617,456
Revenue from other sources:					
Rental income	—	—	602,804	—	602,804
Segment results	<u>7,618,416</u>	<u>304,626</u>	<u>1,043,386</u>	<u>885,447</u>	<u>9,851,875</u>
Depreciation and amortization	<u>(188,197)</u>	<u>(73,250)</u>	<u>—</u>	<u>(60,011)</u>	<u>(321,458)</u>
Fair value gains on revaluation of investment properties, net	—	—	641,106	—	641,106
Share of profit/(loss) of:					
– joint ventures	438,161	—	—	(11,604)	426,557
– associated entities	<u>190,762</u>	<u>—</u>	<u>219,686</u>	<u>95,306</u>	<u>505,754</u>

## 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
<b>Year ended 31 December 2019</b>					
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	<u>34,453,749</u>	<u>888,186</u>	<u>689,564</u>	<u>2,307,613</u>	<u>38,339,112</u>
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	<u>9,556,614</u>	<u>130,157</u>	<u>458,045</u>	<u>840,754</u>	<u>10,985,570</u>
Depreciation and amortisation	<u>(104,047)</u>	<u>(75,605)</u>	<u>–</u>	<u>(30,375)</u>	<u>(210,027)</u>
Fair value losses on revaluation of investment properties, net	<u>–</u>	<u>–</u>	<u>(23,434)</u>	<u>–</u>	<u>(23,434)</u>
Share of profit/(loss) of:					
- joint ventures	31,457	–	–	(19,420)	12,037
- associated entities	<u>105,601</u>	<u>–</u>	<u>373,384</u>	<u>7,333</u>	<u>486,318</u>

## 5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
<b>As at 31 December 2020</b>					
Segment assets	217,934,802	1,347,597	16,076,236	2,829,659	238,188,294
Interests in joint ventures	5,624,459	–	–	48,800	5,673,259
Interests in associated entities	4,738,074	–	7,564,256	1,251,883	13,554,213
Total reportable segments' assets	<u>228,297,335</u>	<u>1,347,597</u>	<u>23,640,492</u>	<u>4,130,342</u>	<u>257,415,766</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>892,900</u>	<u>47,127</u>	<u>106,475</u>	<u>115,838</u>	<u>1,162,340</u>
<b>As at 31 December 2019</b>					
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	<u>207,524,194</u>	<u>1,315,120</u>	<u>17,662,855</u>	<u>3,460,131</u>	<u>229,962,300</u>
Total reportable segments' assets include: Additions to non-current assets (note)	<u>369,203</u>	<u>66,550</u>	<u>–</u>	<u>653,328</u>	<u>1,089,081</u>

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.

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Segment results	9,851,875	10,985,570
Unallocated operating costs (note)	(134,999)	(91,719)
Other gains, net (note 7)	26,805	799,285
Operating profit	9,743,681	11,693,136
Finance income (note 8)	458,874	382,497
Finance costs (note 9)	(934,624)	(1,160,942)
Share of profit of:		
– joint ventures (note 21)	426,557	12,037
– associated entities (note 22)	505,754	486,318
Profit before taxation	<u>10,200,242</u>	<u>11,413,046</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (Continued)

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total reportable segments' assets	257,415,766	229,962,300
Deferred tax assets (note 40)	1,169,981	665,128
Prepaid taxation	3,307,405	2,416,865
Corporate assets (note)	1,302,848	1,652,962
Total assets	263,196,000	234,697,255

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 2020, the Group does not have any single customer with the transaction value over 10% of the total external sales (2019: same).

### 6 EXPENSES BY NATURE

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

	2020 RMB'000	2019 RMB'000
Cost of properties sold included in cost of sales	32,028,717	23,300,491
Employee benefit expenses (note 13)	1,834,363	1,912,748
Selling and promotion expenses	1,131,319	878,629
Other tax and surcharge	448,238	382,573
Direct operating expenses arising from investment properties	133,190	141,884
Provision for impairment of properties under development and properties held for sale (note 25 and 26)	870,591	179,796
Expense related to short-term leases (note 17)	69,893	86,467
Depreciation of property, plant and equipment (note 16)	88,093	72,260
Amortisation of right-of-use assets (note 17)	189,402	108,157
Amortisation of intangible assets (note 24)	43,963	29,610
Auditor's remuneration	6,000	6,000
Other expenses	318,176	357,188
	37,161,945	27,455,803

**7 OTHER GAINS, NET**

	2020 RMB'000	2019 RMB'000
Remeasurement gains on interests in a joint venture	—	765,623
Gain on disposal of subsidiaries	—	22,192
Gain on bargain purchase on acquisition	—	10,561
Penalty income net	<b>29,030</b>	47,332
Support expenses on support arrangement (note 47(b)(II))	<b>(22,947)</b>	(32,318)
Gain on disposal of deferred units	<b>8,928</b>	—
Others	<b>11,794</b>	(14,105)
	<b>26,805</b>	799,285

**8 FINANCE INCOME**

	2020 RMB'000	2019 RMB'000
Interest income from bank deposits	<b>194,620</b>	158,138
Interest income on amount due from associated entities (note 47(b)(IV)(V)(VI))	<b>90,995</b>	212,626
Interest income on amount due from joint ventures (note 47(b)(VII)(VIII)(IX)(X)(XI))	<b>173,259</b>	11,733
	<b>458,874</b>	382,497

## NOTES TO THE FINANCIAL STATEMENTS

## 9 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings and overdrafts	1,635,633	1,609,573
Interest on other borrowings	1,798,141	1,780,848
Interest on borrowings from a shareholder (note 47(b)(XII))	587,784	133,935
Interest on borrowings from intermediate holding company (note 47(b)(I))	91,894	69,574
Interest on borrowings from associated entities (note 47(b)(II)(XIII)(XIV)(XV))	32,393	33,564
Interest on loan from ultimate holding company (note 47(b)(XVI))	—	20,634
Interest on borrowings from a fellow subsidiary (note 47(b)(III))	538	4,908
Interest on borrowings from entities with significant influence over the subsidiaries (note 47(b)(XVII)(XVIII)(XIX)(XX))	9,528	160,014
Interest on borrowings from NCI and related parties of NCI (note 34(a))	178,099	106,908
Interest expense on lease liabilities (note 17)	29,414	19,964
Net fair value loss/(gain) on derivative financial instrument (note 36)	39,985	(17,138)
Net foreign exchange loss on financing activities	51,335	24,980
Total borrowing costs incurred	<b>4,454,744</b>	3,947,764
Less: amount capitalised as properties under development and property, plant and equipment (note (a))	<b>(3,520,120)</b>	(2,786,822)
	<b>934,624</b>	1,160,942

Note:

- (a) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.91 percent per annum (2019: 5.17 percent per annum).

## 10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2019: 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 (2019: 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 (2019: 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:

	2020 RMB'000	2019 RMB'000
Current taxation		
China enterprise income tax	2,622,049	2,540,612
China land appreciation tax	3,058,209	4,094,104
Corporate withholding income tax	93,573	267,599
Deferred taxation		
Origination and reversal of temporary difference	(682,012)	(354,260)
China land appreciation tax	(23,497)	(28,704)
Corporate withholding income tax on undistributed profits	449,020	163,187
	<b>5,517,342</b>	<b>6,682,538</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 10 TAXATION (Continued)

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

	2020 RMB'000	2019 RMB'000
Profit before taxation less share of profit of associated entities and joint ventures	<b>9,267,931</b>	10,914,691
Calculated at China enterprise income tax rate of 25 percent (2019: 25 percent)	<b>2,316,983</b>	2,728,673
Effect of different taxation rates	<b>119,881</b>	72,428
Income not subject to taxation	<b>(402)</b>	(18,427)
Expenses not deductible for taxation purposes	<b>92,852</b>	391,218
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	<b>169,401</b>	28,810
Effect of land appreciation tax deductible for calculation of income tax purposes	<b>(758,678)</b>	(1,016,350)
Corporate withholding income tax	<b>542,593</b>	430,786
	<b>2,482,630</b>	2,617,138
Land appreciation tax	<b>3,034,712</b>	4,065,400
Taxation charges	<b>5,517,342</b>	6,682,538

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

	2020			2019		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of financial assets at FVOCI	<b>(45,362)</b>	<b>14,088</b>	<b>(31,274)</b>	64,629	(20,071)	44,558

## 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.

	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	4,247,860	3,483,351
Weighted average number of ordinary shares in issue ('000)	15,482,280	14,455,290
Basic earnings per share (RMB)	0.2744	0.2410

### 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 2020, diluted earnings per share is equal to basic earnings per share (2019: same).

## 12 DIVIDENDS

The dividends paid in 2020 was approximately RMB1,466 million (2019: RMB1,433 million). The directors proposed a final dividend of HKD0.063 per ordinary share, totaling approximately RMB821 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 1 June 2021. These financial statements do not reflect this dividend payable.

	2020 RMB'000	2019 RMB'000
Interim, paid, of HKD0.057 equivalent to RMB0.051 (2019: HKD0.053 equivalent to RMB0.047) per ordinary share	765,313	738,513
Final, proposed, of HKD0.063 equivalent to RMB0.053 (2019: HKD0.049 equivalent to RMB0.044) per ordinary share	820,561	681,220
	1,585,874	1,419,733

## NOTES TO THE FINANCIAL STATEMENTS

## 13 EMPLOYEE BENEFIT EXPENSES

	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	2,179,814	2,161,380
Pension costs (defined contribution plans)	35,056	83,904
Medical benefits costs (defined contribution plans)	65,720	67,265
Social security costs	165,965	189,077
Staff welfare	88,755	82,424
	<b>2,535,310</b>	2,584,050
Less: capitalised in properties under development, investment properties under construction and property, plant and equipment	<b>(700,947)</b>	(671,302)
	<b>1,834,363</b>	1,912,748

**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 2020

Name of Director	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a (ii)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (iii)) 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 Company or its subsidiary undertaking RMB'000	
LIN Zhaoyuan	–	1,540	2,526	3	42	4,733	–	–	8,844
LIN Feng	–	1,540	2,419	3	42	4,733	–	–	8,737
LI Feng	–	1,490	2,469	3	42	–	–	–	4,004
CHEN Jing	–	1,490	2,469	3	42	–	–	–	4,004
LIU Yan	–	1,490	2,469	3	42	–	–	–	4,004
OUYANG Changcheng (note a (i))	249	–	–	–	–	–	–	–	249
YU Lup Fat Joseph	374	–	–	–	–	–	–	–	374
LEE Ka Lun	303	–	–	–	–	–	–	–	303
LAU Hon Chuen Ambrose	303	–	–	–	–	–	–	–	303
<b>Total</b>	<b>1,229</b>	<b>7,550</b>	<b>12,352</b>	<b>15</b>	<b>210</b>	<b>9,466</b>	<b>–</b>	<b>–</b>	<b>30,822</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

## (a) Directors' emoluments (Continued)

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

31 December 2019

Name of Director	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a (ii)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (iii)) 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 Company or its subsidiary undertaking RMB'000	
LIN Zhaoyuan	-	1,540	3,332	32	38	3,803	-	-	8,745
LIN Feng	-	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	-	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
<b>Total</b>	<b>1,076</b>	<b>7,550</b>	<b>14,471</b>	<b>160</b>	<b>190</b>	<b>6,890</b>	<b>-</b>	<b>-</b>	<b>30,337</b>

Notes:

- (i) Appointed on 23 July 2019.
- (ii) Discretionary bonuses are determined by the Group's financial performance.
- (iii) Other benefits include share award scheme.

**14 BENEFITS AND INTERESTS OF DIRECTORS** (Continued)

**(b) Directors' termination benefits**

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: 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 (2019: 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 (2019: 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 (2019: Nil).

**15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

No directors waived emoluments in respect of the year ended 31 December 2020 (2019: 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 2020 are also directors whose emoluments are reflected in the analysis presented in note 14 (2019: same).

## NOTES TO THE FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT

	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 2020					
Opening net book amount	1,044,066	1,321,334	130,800	9,724	2,505,924
Exchange differences	(350)	–	(43)	(5)	(398)
Additions	–	730,552	52,748	10,125	793,425
Disposals	–	–	(11,067)	(1,152)	(12,219)
Depreciation (note 6)	(57,789)	–	(22,953)	(7,351)	(88,093)
Transfer	627,765	(627,765)	–	–	–
Acquisitions of subsidiaries (note 19)	–	–	2,475	–	2,475
Closing net book amount	<u>1,613,692</u>	<u>1,424,121</u>	<u>151,960</u>	<u>11,341</u>	<u>3,201,114</u>
At 31 December 2020					
Cost	1,885,466	1,424,121	270,676	69,272	3,649,535
Accumulated depreciation and impairment	(271,774)	–	(118,716)	(57,931)	(448,421)
Net book amount	<u>1,613,692</u>	<u>1,424,121</u>	<u>151,960</u>	<u>11,341</u>	<u>3,201,114</u>

## 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 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	–	–	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

## Note:

- (a) All the land of the Group are located in Hong Kong with lease terms under 50 years.
- (b) Refer to note 44 for information on assets pledged as securities by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

## 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 (a)) RMB'000	Properties RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2020	3,412,710	653,078	4,065,788
Acquisition of a subsidiary	–	2,532	2,532
Additions	–	235,290	235,290
Transfer to investment property	(128,861)	–	(128,861)
Amortisation	(59,339)	(188,085)	(247,424)
At 31 December 2020	<u>3,224,510</u>	<u>702,815</u>	<u>3,927,325</u>

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

Note:

(a) The Group has these land lease arrangements with mainland China government.

**17 LEASES (Continued)**
**(i) Amounts recognised in the balance sheet (Continued)**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities		
Current	151,209	114,542
Non-current	566,477	563,665
	<u>717,686</u>	<u>678,207</u>

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

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

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of land use rights		(59,339)	(11,036)
Less: amount capitalised as property, plant and equipment		58,022	–
	6	(1,317)	(11,036)
Depreciation of properties	6	(188,085)	(97,121)
Interest expense (included in finance cost)	9	(29,414)	(19,964)
Expense relating to short-term leases (included in cost of sales, selling and marketing costs, and administrative expenses)	6	<u>(69,893)</u>	<u>(86,467)</u>

**(iii) Amounts recognised in cash flow**

The statement of cash flow shows the following amounts related to lease:

	2020 RMB'000	2019 RMB'000
Payment for lease liabilities (financing activities)	227,802	91,956
Payment for short-term lease (operating activities)	<u>69,893</u>	<u>86,467</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 18 INVESTMENT PROPERTIES

	Completed investment properties		Investment properties under development	
	China RMB'000	Hong Kong RMB'000	China RMB'000	Total RMB'000
Opening balance at 1 January 2020	8,638,619	799,489	–	9,438,108
Exchange differences	–	(65,934)	–	(65,934)
Disposals	(30,877)	–	–	(30,877)
Additions	–	–	106,475	106,475
Transfer from properties under development	–	–	5,858,497	5,858,497
Transfer from land use rights	–	–	128,861	128,861
Transfer	2,148,967	–	(2,148,967)	–
Fair value gains/(losses), net (note(a))	1,447,256	(33,584)	(772,566)	641,106
Closing balance at 31 December 2020	<u>12,203,965</u>	<u>699,971</u>	<u>3,172,300</u>	<u>16,076,236</u>

	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	<u>8,638,619</u>	<u>799,489</u>	<u>9,438,108</u>

(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 41.

Refer to note 44 for information on assets pledged as securities by the Group.

**18 INVESTMENT PROPERTIES (Continued)**

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

	2020 RMB'000	2019 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	699,971	799,489
Outside Hong Kong (note):		
Leases of between 10 to 50 years	15,376,265	8,638,619
	<b>16,076,236</b>	<b>9,438,108</b>

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

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

	2020 RMB'000	2019 RMB'000
Rental income from operating leases	602,804	689,564
Direct operating expenses from property that generated rental income	125,199	136,209
Direct operating expenses from property that did not generate rental income	7,991	5,675
Fair value gains/(losses) on revaluation of investment properties, net	641,106	(23,434)

## NOTES TO THE FINANCIAL STATEMENTS

### 19 ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of Guangzhou City Pinhui Property Development Company Limited

On 1 September 2020, 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 Strong Arise Limited ("Strong Arise"), the intermediate holding company of Guangzhou Quanlong Industrial Development Company Limited ("Quanlong Company"), pursuant to which Nansha Company agreed to purchase 100% equity interest in the Quanlong Company together with the related balances due to Guangzhou Yue Xiu Holding Limited ("Guangzhou Yue Xiu"). Quanlong Company holds 51% equity interest of Guangzhou City Pinhui Property Development Company Limited ("Pinhui Company"). The total consideration for the acquisition was RMB3,134 million in aggregate.

The transaction was completed on 20 October 2020. 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)	3,134,043

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

	RMB'000
Properties under development	6,070,310
Deferred tax assets	10,630
Cash and cash equivalents	73,017
Other receivables, prepayments and deposits	6,122
Other payables and accrued charges	(120,624)
Amount due to non-controlling interests	(2,185,428)
Borrowings	(20,000)
Net identifiable assets acquired	3,834,027
Non-controlling interest	(699,984)
	3,134,043

**19 ACQUISITION OF SUBSIDIARIES (Continued)****(a) Acquisition of Guangzhou City Pinhui 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	(3,134,043)
Cash and bank balance acquired	<u>73,017</u>
	<u><u>(3,061,026)</u></u>

The acquired business contributed nil of revenues and net losses of RMB27 million to the Group for the period from 20 October 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2020 would have been RMB46,234 million and RMB4,665 million respectively.

**(b) Acquisition of Guangzhou City Pinguan Property Development Company Limited**

On 1 September 2020, Nansha Company entered into an equity transfer agreement with Strong Arise, the intermediate holding company of Guangzhou Quanxi Industrial Development Company Limited ("Quanxi Company"), pursuant to which Nansha Company agreed to purchase 100% equity interest in the Quanxi Company together with the related balances due to Guangzhou Yue Xiu. Quanxi Company holds 51% equity interest of Guangzhou City Pinhui Property Development Company Limited ("Pinguan Company"). The total consideration for the acquisition was RMB2,185 million in aggregate.

The transaction was completed on 20 October 2020. Upon completion of the transaction, Pinguan Company became an indirect non-wholly owned subsidiary of the Company.

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

<b>Consideration</b>	RMB'000
Cash paid (comprises consideration for equity transfer and shareholder's loan transfer)	<u><u>2,184,745</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 19 ACQUISITION OF SUBSIDIARIES (Continued)

#### (b) Acquisition of Guangzhou City Pinguan 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	32
Properties under development	4,253,141
Deferred tax assets	9,505
Cash and cash equivalents	27,080
Other receivables, prepayments and deposits	2,897
Other payables and accrued charges	(71,873)
Amount due to non-controlling interests	(1,489,207)
Net identifiable assets acquired	2,731,575
Non-controlling interest	(546,830)
	<u>2,184,745</u>

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

	RMB'000
Cash paid	(2,184,745)
Cash and bank balance acquired	27,080
	<u>(2,157,665)</u>

The acquired business contributed nil of revenues and net losses of RMB20 million to the Group for the period from 20 October 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2020 would have been RMB46,234 million and RMB4,669 million respectively.

## 19 ACQUISITION OF SUBSIDIARIES (Continued)

### (c) Acquisition of Guangzhou Metro Property Management Company Limited

On 23 November 2020, Guangzhou Yuexiu Property Development Co., Ltd. ("GZYPD"), an indirectly wholly owned subsidiary of the Company, Guangzhou Metro Group Co., Ltd ("Guangzhou Metro"), Guangzhou Metro Environmental Engineering Co., Ltd. ("GZMEE") and Guangzhou Metro Property Management Co., Ltd. ("GZMPM"), entered into an equity transfer agreement pursuant to which Guangzhou Metro agreed to sell and GZYPD agreed to purchase 67% of the equity interest in GZMEE and its 67% shareholding in GZMPM, which are both property management service companies, at a total consideration of RMB282 million (including tax payable of RMB5 million).

The transaction was completed on 30 November 2020. Upon the completion of the acquisition, GZMEE and GZMPM became indirectly non-wholly owned subsidiaries of the Company.

The acquisition of subsidiaries, GZMEE and GZMPM, resulted in goodwill of approximately RMB225 million and customer relationship of RMB92 million identified during the purchase price allocation.

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

Consideration	RMB'000
Cash paid	276,740

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

	RMB'000
Cash and cash equivalents	1,254
Trade and other receivables and prepayments	152,696
Right-of-use assets	2,532
Property, plant and equipment	2,443
Deferred tax assets	1,100
Intangible assets	92,512
Trade and other payables	(61,981)
Lease liabilities	(2,575)
Contract liabilities	(187)
Net identifiable assets acquired	187,794
Less: non-controlling interest	(136,305)
Add: goodwill	225,251
	276,740

## NOTES TO THE FINANCIAL STATEMENTS

### 19 ACQUISITION OF SUBSIDIARIES (Continued)

#### (c) Acquisition of Guangzhou Metro Property Management Company Limited (Continued)

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

	RMB'000
Cash paid	(276,740)
Cash and bank balance acquired	1,254
	<u>(275,486)</u>

The acquired business contributed RMB22 million of revenues and net losses of RMB5 million to the Group for the period from 30 November 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2020 would have been RMB46,431 million and RMB4,715 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 RMB34 million (2019: RMB137 million) resulting in a total net gain of approximately RMB3 million (2019: RMB34 million).

### 21 INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Investments in joint ventures		
At 1 January	2,702,720	2,956,566
Additions	191,157	476,026
Deem disposal of a joint venture	—	(741,909)
Share of profit	426,557	12,037
At 31 December 2020	<u>3,320,434</u>	2,702,720
Amounts due from joint ventures (note 47(c))	2,353,824	4,460,300
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	<u>2,352,825</u>	4,459,301
Total	<u>5,673,259</u>	<u>7,162,021</u>

**21 INTERESTS IN JOINT VENTURES (Continued)**

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 2020, there was no individually material joint venture to the Group.

Details of the Group's joint ventures as at 31 December 2020 are set out on page 227.

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.

	2020 RMB'000	2019 RMB'000
<b>Assets</b>		
Non-current assets	604,249	1,354,833
Current assets	10,853,060	11,512,884
	<u>11,457,309</u>	<u>12,867,717</u>
<b>Liabilities</b>		
Non-current liabilities	(3,134,676)	(1,547,745)
Current liabilities	(5,002,199)	(8,617,252)
	<u>(8,136,875)</u>	<u>(10,164,997)</u>
Net assets	<u>3,320,434</u>	<u>2,702,720</u>
Revenue	2,515,720	1,213,044
Expenses	(1,946,260)	(1,186,145)
Profit before taxation	569,460	26,899
Taxation	(142,903)	(14,862)
Profit for the year	<u>426,557</u>	<u>12,037</u>

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 2020 (2019: nil).

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

## NOTES TO THE FINANCIAL STATEMENTS

## 22 INTERESTS IN ASSOCIATED ENTITIES

	2020 RMB'000	2019 RMB'000
Share of net assets	11,282,273	9,369,412
Deferred units (note)	1,159,935	1,339,994
Amounts due from associated entities (note 47(c))	1,112,005	2,121,223
Interests in associated entities	13,554,213	12,830,629

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.

On 23 December 2020, the Group entered into the assignment agreement with Yuexiu Capital Holdings Limited ("Yuexiu Capital"), pursuant to which the Group agreed to assign and transfer absolutely as beneficial owner to Yuexiu Capital all of the Group's rights, title, interest and benefits in and to 62,000,000 deferred units to be issued by the Yuexiu REIT at the end of the year.

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:

	2020 RMB'000	2019 RMB'000
Revenue	2,482,365	2,573,155
Profit after tax	505,754	486,318
Assets	30,957,916	24,128,735
Liabilities	(19,675,643)	(14,759,323)
Net assets	11,282,273	9,369,412

Details of the Group's significant associated entities as at 31 December 2020 are set out on page 228.

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 RMB4,655 million (2019: RMB4,943 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB5,158 million (2019: RMB5,777 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.

	2020 RMB'000	2019 RMB'000
Investment properties	29,700,000	29,982,000
Other non-current assets (excluding investment properties)	4,329,935	4,286,172
Cash and cash equivalents	1,802,495	1,319,010
Other current assets (excluding cash and cash equivalents)	177,891	422,346
<b>Total assets</b>	<b>36,010,321</b>	<b>36,009,528</b>
Non-current liabilities, other than net assets attributable to unitholders	(16,081,616)	(16,160,688)
Current liabilities	(4,405,855)	(4,460,013)
<b>Total liabilities, other than net assets attributable to unitholders</b>	<b>(20,487,471)</b>	<b>(20,620,701)</b>
<b>Net assets attributable to unitholders</b>	<b>(14,334,747)</b>	<b>(14,314,894)</b>
<b>Total liabilities</b>	<b>(34,822,218)</b>	<b>(34,935,595)</b>
<b>Net assets</b>	<b>1,188,103</b>	<b>1,073,933</b>
Revenue	1,758,732	2,058,112
Fair value (loss)/gain on investment properties	(297,633)	752,700
Depreciation and amortisation	(97,703)	(126,069)
Finance income	842,885	33,748
Finance expenses	(489,217)	(777,633)
Operating expenses	(794,068)	(961,894)
Others	(97,258)	406,999
<b>Profit before income tax</b>	<b>825,738</b>	<b>1,385,963</b>
Income tax expense	(203,967)	(441,828)
<b>Post-tax profit before transactions with unitholders</b>	<b>621,771</b>	<b>944,135</b>
Transactions with unitholders	(556,014)	(867,030)
<b>Profit after income tax after transactions with unitholders</b>	<b>65,757</b>	<b>77,105</b>
Other comprehensive loss	(44,595)	(525)
<b>Total comprehensive income</b>	<b>21,162</b>	<b>76,580</b>
Dividends received	(206,377)	(275,771)

## NOTES TO THE FINANCIAL STATEMENTS

## 22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

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

	2020 RMB'000	2019 RMB'000
Net assets attributable to unitholders as at 1 January	14,314,894	14,178,926
Issuance of units	119,494	119,132
Transactions with unitholders	556,014	867,030
Distributions paid to unitholders	(655,655)	(850,194)
Net assets attributable to unitholders at 31 December	14,334,747	14,314,894
Net assets attributable to deferred unitholders	(1,159,935)	(1,339,994)
Net assets attributable to normal unitholders	13,174,812	12,974,900
Interest in an associated entity	38.04%	38.10%
Carrying value before exchange reserve	5,011,699	4,943,437
Exchange reserve	(356,505)	–
Carrying value	4,655,194	4,943,437

## 23 FINANCIAL ASSETS AT FVOCI

	2020 RMB'000	2019 RMB'000
Opening balance at 1 January	1,293,264	1,228,635
(Decrease)/increase in fair value recognised in other comprehensive income related to equity investments	(45,362)	64,629
Closing balance at 31 December	1,247,902	1,293,264

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

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

Valuation multiples are derived from the reported earnings and the period end stock price of companies in the peer group. In applying the valuation multiples, the Price-to-Earnings multiple and Price-to-Book Value multiple have been concluded to be the relevant performance measures for its investments. The Group also adjusts the indicated fair value to give the effect of the discount for lack of marketability compared to the publicly traded peer group when it determines that the market participants would take this into account when pricing the investment. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement of equity securities. The Group determines 35%-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 RMB10 million (2019: RMB11 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

## NOTES TO THE FINANCIAL STATEMENTS

## 24 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	—	—	85,995	85,995
Additions	—	—	27,150	27,150
Acquisition of subsidiary (note 19)	225,251	92,372	140	317,763
Amortisation (note 6)	—	(784)	(43,179)	(43,963)
Closing net book amount	225,251	91,588	70,106	386,945
At 31 December 2020				
Cost	225,251	92,372	142,895	460,518
Accumulated amortisation	—	(784)	(72,789)	(73,573)
Net book amount	225,251	91,588	70,106	386,945
Year ended 31 December 2019				
Opening net book amount				
Additions			115,605	115,605
Amortisation (note 6)			(29,610)	(29,610)
Closing net book amount			85,995	85,995
At 31 December 2019				
Cost			115,605	115,605
Accumulated amortisation			(29,610)	(29,610)
Net book amount			85,995	85,995

## 25 PROPERTIES UNDER DEVELOPMENT

	2020 RMB'000	2019 RMB'000
Amounts are expected to be completed		
- within the normal operating cycle included under current assets	126,110,685	125,407,543
- beyond the normal operating cycle included under non-current assets	6,330,244	11,532,544
	<b>132,440,929</b>	<b>136,940,087</b>
At cost	127,586,375	136,940,087
At fair value less cost to sell	5,605,046	—
Less: provision for impairment of properties under development	(750,492)	—
	<b>132,440,929</b>	<b>136,940,087</b>

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 44 for information on assets pledged as securities by the Group.

A provision for impairment of RMB750 million (2019: nil) is recognised as expense and included in "cost of sales" (note 6).

## 26 PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
At cost	21,021,702	11,197,710
At fair value less cost to sell	4,397,333	2,757,483
Less: provision for impairment of properties held for sale	(522,590)	(508,520)
	<b>24,896,445</b>	<b>13,446,673</b>

Properties held for sale are mainly located in China.

Refer to note 44 for information on assets pledged as securities by the Group.

In 2020, the Group recognised net impairment loss of RMB121 million (2019: RMB180 million) and reversed RMB106 million of previous impairment as the Group sold the relevant properties held for sale (2019: RMB51 million), which are included in "cost of sales" (note 6).

## NOTES TO THE FINANCIAL STATEMENTS

### 27 CONTRACT COSTS

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

	2020 RMB'000	2019 RMB'000
Assets recognised from costs incurred to obtain a contract at 31 December	597,440	481,320
Amortisation recognised as selling expenses during the year	<b>(619,380)</b>	<b>(382,434)</b>

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.

### 28 TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers	198,104	77,114
Less: loss allowance	<b>(36,267)</b>	<b>(8,805)</b>
	<b>161,837</b>	<b>68,309</b>

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

The Group's credit period of the trade receivables is 90 days from the date of invoice. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables from the invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Up to 1 year	171,933	61,489
1 to 2 years	13,318	5,600
2 to 3 years	4,044	1,149
Over 3 years	8,809	8,876
	<b>198,104</b>	<b>77,114</b>

As at 31 December 2020, a provision of approximately RMB36 million was made against the gross amount of trade receivable (31 December 2019: RMB9 million). The Group's trade receivables are denominated in RMB.

**29 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	2020 RMB'000	2019 RMB'000
Amounts due from NCI and related parties of NCI (note (a))	4,798,794	3,545,897
Amounts due from related parties (note 47(c))	3,407,816	2,536,703
Deposits	1,201,882	823,714
Other receivables	4,412,604	1,914,148
	<b>13,821,096</b>	8,820,462
Prepaid value added taxes and other taxes	744,745	642,888
Prepayments	539,012	492,933
	<b>15,104,853</b>	9,956,283

Note:

- (a) Out of the total amount of approximately RMB4,799 million, the interest bearing balance is approximately RMB239 million as at 31 December 2020 (31 December 2019: nil) and bears interest at a rate of 4.35% per annum (2019: nil). The balance is receivable on demand.

**30 CHARGED BANK DEPOSITS**

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

**31 CASH AND CASH EQUIVALENTS**

	2020 RMB'000	2019 RMB'000
Cash at bank	28,195,553	24,090,162
Short-term bank deposits	18,148	15,379
	<b>28,213,701</b>	24,105,541

## NOTES TO THE FINANCIAL STATEMENTS

### 31 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
HKD	1,198,046	588,102
RMB	26,510,384	23,143,201
USD	497,867	366,543
Others	7,404	7,695
	<b>28,213,701</b>	<b>24,105,541</b>

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 (2019: 1 percent).

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

### 32 TRADE AND NOTE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	597,559	407,080
Note payables	1,658,147	2,025,818
	<b>2,255,706</b>	<b>2,432,898</b>

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

**32 TRADE AND NOTE PAYABLES (Continued)**

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

	2020 RMB'000	2019 RMB'000
0 - 30 days	746,187	585,856
31 - 90 days	508,680	676,356
91 - 180 days	716,632	967,073
181 - 365 days	261,142	147,875
1 - 2 years	13,331	42,680
Over 2 years	9,734	13,058
	<b>2,255,706</b>	<b>2,432,898</b>

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

**33 CONTRACT LIABILITIES**

	2020 RMB'000	2019 RMB'000
Contract liabilities	<b>54,201,054</b>	<b>41,942,500</b>

- (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 2020 that was included in the contract liabilities balance at 31 December 2019 is approximately RMB25,640 million (2019: RMB23,646 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 types 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 34 OTHER PAYABLES AND ACCRUED CHARGES

	2020 RMB'000	2019 RMB'000
Accrual for construction related costs	20,062,467	13,843,612
Accrued employee benefits costs	1,416,624	1,219,534
Amounts due to related parties (note 47(c))	25,039,876	22,675,150
Amounts due to NCI and related parties of NCI (note (a))	4,229,978	5,215,553
Other payables	6,644,109	5,886,968
	<b>57,393,054</b>	48,840,817
Less: non-current proportion of amounts due to related parties, NCI and related parties of NCI	<b>(8,157,232)</b>	(1,175,663)
	<b>49,235,822</b>	47,665,154

## Note:

- (a) Out of the total amount of approximately RMB4,230 million, the interest bearing balance is approximately RMB2,214 million as at 31 December 2020 (31 December 2019: RMB2,332 million) and bears interest at a weighted average rate of 6.74% per annum (2019: 5.79% per annum) (see note(9)). Except for an amount approximately RMB1,914 million is repayable from 2022 to 2025 (31 December 2019: RMB361 million), the remaining balance is repayable on demand.
- (b) Majority of the Group's other payables and accrued charges are denominated in RMB.

## 35 BORROWINGS

	2020 RMB'000	2019 RMB'000
<b>Non-current</b>		
Long-term bank borrowings		
– Secured	12,393,831	9,784,060
– Unsecured	10,600,691	15,233,754
Other borrowings (a)		
– Secured	187,500	570,160
– Unsecured	28,081,094	38,295,659
	<b>51,263,116</b>	<b>63,883,633</b>
<b>Current</b>		
Bank overdrafts	32	41
Short-term bank borrowings		
– Unsecured	90,378	49,377
Current portion of long-term bank borrowings		
– Secured	372,968	2,196,840
– Unsecured	5,513,953	2,790,372
Other borrowings (a)		
– Secured	586,160	350,000
– Unsecured	10,012,753	1,751,393
	<b>16,576,244</b>	<b>7,138,023</b>
Total borrowings	<b>67,839,360</b>	<b>71,021,656</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 35 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.

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.

In 2020, the Group issued aggregated nominal value of RMB1,500 million corporate bonds with interest rates of 3.13% 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 2020 and 2019.

Guangzhou Yue Xiu, the ultimate holding company, provides guarantee for above corporate bond (note 47(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.

**35 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 exchangeable bonds with an aggregate cash proceeds of HKD1.1 billion, which was matured on 27 April 2020. The bonds bear interest at the rate of 1.875% per annum. There was no bondholder to exercise the right to exchange its bonds with the share of units in Yuexiu REIT and the exchange bond was repaid in 2020.

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Within one year	5,977,331	5,036,630	10,598,913	2,101,393
In the second year	12,839,679	6,742,277	5,962,989	13,527,890
In the third to fifth year	7,172,868	16,431,829	20,384,948	22,955,526
Over five years	2,981,975	1,843,708	1,920,657	2,382,403
	<u>28,971,853</u>	<u>30,054,444</u>	<u>38,867,507</u>	<u>40,967,212</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 35 BORROWINGS (Continued)

## (a) Other borrowings (Continued)

## (iv) Exchangeable bond (Continued)

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

	2020			2019		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	2.82%	4.86%	—	3.09%	5.01%	—
Other borrowings	5.53%	4.51%	4.88%	5.06%	4.74%	4.88%
Bank overdrafts	6.03%	—	—	5.50%	—	—

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

	2020 RMB'000	2019 RMB'000
HKD	8,191,343	9,583,689
RMB	48,576,306	49,621,641
USD	11,071,711	11,816,326
	<b>67,839,360</b>	<b>71,021,656</b>

The fair values of borrowings approximate their carrying amounts.

### 36 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>		
Foreign currency forwards contracts – cash flow hedges	–	39,646
Capped forward foreign exchange contracts	–	25,533
Total non-current derivative financial instrument assets	–	65,179
<b>Current liabilities</b>		
Embedded derivative of exchangeable bond	–	1,347
Foreign currency forwards contracts – cash flow hedges	358,703	–
Total current derivative financial instrument liabilities	358,703	1,347
<b>Non-current liabilities</b>		
Capped forward foreign exchange contracts	14,451	–
Foreign currency forwards – cash flow hedges	147,073	–
Total non-current derivative financial instrument liabilities	161,524	–

(i) **Classification of derivatives**

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The Group’s accounting policy for its cash flow hedges is set out in note 2.14. Further information about the derivatives used by the Group is provided in note 3.1(a).

(ii) **Fair value measurement**

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 3.3(a).

## NOTES TO THE FINANCIAL STATEMENTS

## 36 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

## (iii) Hedging reserves

The Group's hedging reserves relate to the following hedging instruments:

	Cost of hedging reserve RMB'000	Spot component of currency forwards RMB'000	Total hedging reserves RMB'000
<b>As at 1 January 2019</b>	(834)	–	(834)
Add: Change in fair value of hedging instrument recognised in OCI	–	31,374	31,374
Add: Costs of hedging deferred and recognised in OCI	7,597	–	7,597
Less: Reclassified from OCI to profit or loss	38,974	(26,310)	12,664
<b>As at 31 December 2019</b>	<u>45,737</u>	<u>5,064</u>	<u>50,801</u>
Add: Change in fair value of hedging instrument recognised in OCI for the year	–	(604,395)	(604,395)
Add: Costs of hedging deferred and recognised in OCI	58,974	–	58,974
Less: Reclassified from OCI to profit or loss	30,741	626,656	657,397
<b>As at 31 December 2020</b>	<u>135,452</u>	<u>27,325</u>	<u>162,777</u>

## (iv) Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	2020 RMB'000	2019 RMB'000
Net (loss)/gain on foreign currency forward not qualifying as hedges included in financial costs (note 9)	<u>(39,985)</u>	<u>17,138</u>

## 37 SHARE CAPITAL

	Number of shares 2020 ('000)	Number of shares 2019 ('000)	Share capital 2020 RMB'000	Share capital 2019 RMB'000
At 1 January	15,482,280	12,401,307	18,035,015	12,759,402
Issues of ordinary shares relating to acquisition of subsidiary, net of transaction cost and tax	—	3,080,973	—	5,275,613
At 31 December	15,482,280	15,482,280	18,035,015	18,035,015

## 38 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.

**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.

	2020 Shares ('000)	2019 Shares ('000)	2020 RMB'000	2019 RMB'000
Shares held under share award scheme	(85,272)	(56,571)	(121,282)	(81,577)

## NOTES TO THE FINANCIAL STATEMENTS

### 38 SHARES HELD UNDER SHARE AWARD SCHEME (Continued)

#### Operation (Continued)

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 2019	(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)
Acquisition of shares by the Trust	(52,124)	(72,366)
Shares granted to employees	23,423	32,661
Balance 31 December 2020	(85,272)	(121,282)

The weighted average price of awarded shares held during the year ended 31 December 2020 was approximately RMB1.42 per share (2019: RMB1.44 per share).

23,423,104 shares were granted to the relevant selected participants during the year ended 31 December 2020 (2019: 19,944,867 shares). As at 31 December 2020, the total number of issued ordinary shares of the Company included 85,272,416 shares held under the share award scheme (31 December 2019: 56,571,094 shares).

## 39 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 2020	728,636	(708,415)	788,000	50,801	(291,673)	22,202,721	22,770,070
Currency translation differences	–	199,832	–	–	–	–	199,832
Change in fair value of equity investment at FVOCI							
– gross	–	–	(43,093)	–	–	–	(43,093)
– tax	–	–	10,773	–	–	–	10,773
– effect of withholding tax	–	–	2,747	–	–	–	2,747
Losses on cash flow hedges	–	–	–	(604,395)	–	–	(604,395)
Costs of hedging	–	–	–	58,974	–	–	58,974
Hedging losses reclassified to profit or loss	–	–	–	657,397	–	–	657,397
Profit attributable to shareholders	–	–	–	–	–	4,247,860	4,247,860
Dividends paid	–	–	–	–	–	(1,466,241)	(1,466,241)
Transfer to appropriation	376,055	–	–	–	–	(376,055)	–
At 31 December 2020	<u>1,104,691</u>	<u>(508,583)</u>	<u>758,427</u>	<u>162,777</u>	<u>(291,673)</u>	<u>24,608,285</u>	<u>25,833,924</u>
Representing:							
2020 final dividend proposed						820,561	
Others						<u>23,787,724</u>	
						<u>24,608,285</u>	

## NOTES TO THE FINANCIAL STATEMENTS

## 39 RESERVES (Continued)

	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	<u>728,636</u>	<u>(708,415)</u>	<u>788,000</u>	<u>50,801</u>	<u>(291,673)</u>	<u>22,202,721</u>	<u>22,770,070</u>
Representing:							
2019 final dividend proposed						681,220	
Others						<u>21,521,501</u>	
						<u>22,202,721</u>	

## Note:

## (a) Statutory reserves

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

## (b) Financial asset at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

#### 40 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:

	2020 RMB'000	2019 RMB'000
Beginning of the year	6,245,887	5,111,990
Credit to profit or loss during the year (note 10)	(256,489)	(219,777)
Acquisition of subsidiaries	(21,235)	1,323,013
Deferred taxation charged to equity (note 10)	(14,088)	20,071
Exchange differences	9,986	10,590
End of the year	<u>5,964,061</u>	<u>6,245,887</u>

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 2020	287,340	107,332	500,228	1,021	895,921
Acquisition of subsidiaries (note 19)	–	–	21,235	–	21,235
Credit/(charged) to profit or loss during the year	152,139	60,654	256,156	–	468,949
At 31 December 2020	<u>439,479</u>	<u>167,986</u>	<u>777,619</u>	<u>1,021</u>	<u>1,386,105</u>
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	<u>287,340</u>	<u>107,332</u>	<u>500,228</u>	<u>1,021</u>	<u>895,921</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 40 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	Revaluation of financial assets at FVOCI RMB'000	Withholding tax on profit to be distributed in future RMB'000	Total RMB'000
At 1 January 2020	5,024,988	303,802	1,813,018	7,141,808
Exchange differences	9,986	—	—	9,986
(Credited)/charged to profit or loss during the year	(236,560)	—	449,020	212,460
Credited to reserves	—	(11,341)	(2,747)	(14,088)
At 31 December 2020	<u>4,798,414</u>	<u>292,461</u>	<u>2,259,291</u>	<u>7,350,166</u>
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	<u>5,024,988</u>	<u>303,802</u>	<u>1,813,018</u>	<u>7,141,808</u>

**40 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:

	2020 RMB'000	2019 RMB'000
Deferred tax assets		
- China enterprise income tax	1,169,981	665,128
	<u>1,169,981</u>	<u>665,128</u>
Deferred tax liabilities		
- Hong Kong profits tax	28,301	28,956
- China enterprise income tax	5,942,098	5,694,919
- China land appreciation tax	1,163,643	1,187,140
	<u>7,134,042</u>	<u>6,911,015</u>

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 2020, the Group had unrecognised deferred tax benefits of approximately RMB652 million (2019: RMB483 million) in respect of tax losses of approximately RMB3,056 million (2019: RMB2,378 million). Tax losses amounting to RMB1,743 million (2019: RMB1,065 million) will expire at various dates up to and including 2025 (2019: 2024). The remaining tax losses have no expiry date.

**41 NON-CANCELLABLE OPERATING LEASES**

At 31 December 2020, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2020 RMB'000	2019 RMB'000
Not later than one year	479,725	407,757
Later than one year and not later than five years	481,813	515,405
Later than five years	113,742	155,067
	<u>1,075,280</u>	<u>1,078,229</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 42 CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	45,429	449,315
Authorised but not contracted for	15,487	276,641
	<b>60,916</b>	<b>725,956</b>

## 43 GUARANTEES

	2020 RMB'000	2019 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	32,036,004	20,090,477
Guarantee for banking and loan facility granted to associated entities (note (b))	1,125,228	974,928
Guarantees for banking and loan facilities granted to joint ventures (note (b))	2,281,820	1,060,000
	<b>35,443,052</b>	<b>22,125,405</b>

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 2020, certain subsidiaries of the Group provided guarantees up to a limit of approximately RMB3,407 million (31 December 2019: RMB2,035 million) in respect of loans borrowed by joint ventures and associated entities of the Group, among which guarantees of approximately RMB1,077 million (31 December 2019: RMB1,007 million) were utilised and guarantees of approximately RMB2,330 million (31 December 2019: RMB1,028 million) were not utilised yet.

#### 44 SECURITIES FOR BANKING FACILITIES

At 31 December 2020, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with aggregate carrying values of approximately RMB23,140 million (2019: RMB29,051 million), nil (2019: RMB170 million), RMB6,691 million (2019: RMB6,690 million) and RMB706 million (2019: RMB686 million) respectively and;
- (b) mortgages of certain of the Group's right-of-use assets with an aggregate carrying value is RMB7 million (2019: RMB7 million).

#### 45 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
<b>Liabilities from financing activities as at 31 December 2019</b>	<b>(7,137,982)</b>	<b>(63,883,633)</b>	<b>(678,207)</b>	<b>(27,970,602)</b>	<b>(99,670,424)</b>
Cash flows	6,597,656	(4,833,940)	227,802	2,727,310	4,718,828
Foreign exchange adjustments	113,629	1,419,108	–	–	1,532,737
Transfer between borrowings due within 1 year and after 1 year	(16,081,981)	16,081,981	–	–	–
Addition of lease liabilities	–	–	(235,290)	–	(235,290)
Amortisation of lease liabilities	–	–	(29,414)	–	(29,414)
Acquisition of subsidiaries	–	(20,000)	(2,575)	(3,674,635)	(3,697,210)
Other changes (a)	(67,534)	(26,632)	–	(282,134)	(376,300)
<b>Liabilities from financing activities as at 31 December 2020</b>	<b>(16,576,212)</b>	<b>(51,263,116)</b>	<b>(717,684)</b>	<b>(29,200,061)</b>	<b>(97,757,073)</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 45 LIABILITIES FROM FINANCING ACTIVITIES (Continued)

	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
<b>Liabilities from financing activities as at 31 December 2018</b>	(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)
<b>Liabilities from financing activities as at 31 December 2019</b>	<u>(7,137,982)</u>	<u>(63,883,633)</u>	<u>(678,207)</u>	<u>(27,970,602)</u>	<u>(99,670,424)</u>

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.

## 46 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 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
	Current assets	10,552,694	13,687,960	8,400,211	9,582,436	12,859
Current liabilities	3,810,588	6,704,164	2,603,388	4,024,525	2,360,446	1,902,719
Current net assets/(liabilities)	6,742,106	6,983,796	5,796,823	5,557,911	(2,347,587)	(1,883,087)
Non-current assets	22,064	22,148	188,822	188,717	4,044,112	4,011,683
Non-current liabilities	533,275	1,080,333	1,912,138	1,895,122	1,103,210	1,421,228
Non-current net (liabilities) /assets	(511,211)	(1,058,185)	(1,723,316)	(1,706,405)	2,940,902	2,590,455
Net assets	6,230,895	5,925,611	4,073,507	3,851,506	593,315	707,368
Accumulated NCI	3,055,354	2,905,656	2,041,209	1,929,966	290,292	346,095

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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
	Revenue	3,132,472	1,684,954	1,874,554	9,414,589	–
Profit/(loss) for the period	305,284	174,076	222,001	2,270,960	(114,053)	(111,716)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	305,284	174,076	222,001	2,270,960	(114,053)	(111,716)
Profit/(loss) allocated to NCI	149,698	85,455	111,243	1,165,178	(55,803)	(58,651)
Dividends paid to NCI	–	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

## 46 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	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	1,723,949	1,050,550	2,562,824	5,035,164	(231,385)	(176,199)
Cash flows from investing activities	—	—	—	—	—	—
Cash flows from financing activities	(1,081,070)	(583,736)	(2,046,302)	(5,123,854)	225,456	166,247
Net increase/(decrease) in cash and cash equivalents	642,879	466,814	516,522	(88,690)	(5,929)	(9,952)

Summarised balance sheet	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		廣州市品菁 房地產開發有限公司	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	15,898,011	15,557,855	11,292,827	5,811,683	9,641,877	5,134,912
Current liabilities	8,431,825	8,668,793	8,901,755	8,703,107	5,330,221	8,313,947
Current net assets/(liabilities)	7,466,186	6,889,062	2,391,072	(2,891,424)	4,311,656	(3,179,035)
Non-current assets	3,150,159	3,158,931	2,027,254	4,414,846	1,951,876	4,501,484
Non-current liabilities	3,214,906	2,474,813	3,248,776	293,847	2,711,009	177,889
Non-current net (liabilities)/assets	(64,747)	684,118	(1,221,522)	4,120,999	(759,133)	4,323,595
Net assets	7,401,439	7,573,180	1,169,550	1,229,575	3,552,523	1,144,560
Accumulated NCI	1,034,232	1,058,230	572,470	601,851	1,740,189	560,658

## 46 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		廣州市品善 房地產開發有限公司	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,088,137	–	827,655	–	–	–
Loss for the period	(171,741)	(102,422)	(60,025)	(53,501)	(159,037)	(31,306)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss	(171,741)	(102,422)	(60,025)	(53,501)	(159,037)	(31,306)
Loss allocated to NCI	(23,998)	(18,325)	(29,381)	(27,450)	(77,904)	(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		廣州市品善 房地產開發有限公司	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	2,392,743	2,685,848	1,300,005	118,193	390,076	(73,481)
Cash flows from investing activities	–	–	–	–	–	–
Cash flows from financing activities	(1,758,920)	(2,313,942)	(857,584)	(65)	(198,960)	(36)
Net increase/(decrease) in cash and cash equivalents	633,823	371,906	442,421	118,128	191,116	(73,517)

## NOTES TO THE FINANCIAL STATEMENTS

## 46 NON-CONTROLLING INTERESTS (Continued)

Summarised balance sheet	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	7,143,463	—	4,848,142	—
Current liabilities	2,485,597	—	1,666,218	—
Current net assets	4,657,866	—	3,181,924	—
Non-current assets	11,964	—	9,247	—
Non-current liabilities	1,246,395	—	924,777	—
Non-current net liabilities	(1,234,431)	—	(915,530)	—
Net assets	3,423,435	—	2,266,394	—
Accumulated NCI	1,752,212	—	1,162,856	—

Summarised statement of comprehensive income	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	—	—	—
Loss for the period	(9,263)	—	(8,685)	—
Other comprehensive income	—	—	—	—
Total comprehensive income	(9,263)	—	(8,685)	—
Loss allocated to NCI	(4,753)	—	(4,456)	—
Dividends paid to NCI	—	—	—	—

Summarised cash flows	廣州市品輝 房地產開發有限公司		廣州市品冠 房地產開發有限公司	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	614,916	—	388,822	—
Cash flows from investing activities	—	—	—	—
Cash flows from financing activities	113,848	—	63,203	—
Net increase/(decrease) in cash and cash equivalents	728,764	—	452,025	—

## 47 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 2020:

Significant related parties	Relationship with the Company
Guangzhou Yue Xiu	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Guangzhou Metro	A shareholder
Yuexiu REIT	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
廣州環擘房地產開發有限公司("廣州環擘")	An associated entity
廣州綠嶸房地產開發有限公司("廣州綠嶸")	An associated entity
廣州合錦嘉苑房地產開發有限公司("合錦嘉苑")	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
廣州廣宏房地產開發有限公司("廣州廣宏")	A joint venture
廣州智聯汽車小鎮投資發展有限公司("智聯汽車")	A joint venture
武漢崇鴻裕房地產開發有限公司("武漢崇鴻")	A joint venture
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	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
Guangzhou City Construction & Development Holdings Co.,Ltd. ("GCCD")	A fellow subsidiary
廣州悅錦諮詢有限責任公司("廣州悅錦")	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

## NOTES TO THE FINANCIAL STATEMENTS

## 47 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:

	2020 RMB'000	2019 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees	–	(28)
Interest expense (note 9)	(91,894)	(69,574)
(Loss)/gain on foreign currency forward	(150,707)	3,635
Addition of right-of-use assets	–	10,331
Interest expense on lease liabilities	(191)	(405)
Repayment of lease liabilities	(3,048)	(3,687)
Payment for acquisitions of subsidiaries (note 19)	(5,318,788)	(22,666,189)
Proceed from disposal of deferred units	196,111	–
(II) Transactions with Yuexiu REIT		
Tenancy service fees income	23,804	26,576
Expense related to short-term leases	(46,577)	(27,592)
Interest expense (note 9)	(18,657)	(19,983)
Support expenses on support arrangement (note 7)	(22,947)	(32,318)
Addition of right-of-use assets	4,941	175,997
Interest expense on lease liabilities	(4,281)	(7,292)
Repayment of lease liabilities	(73,591)	(69,046)
Sales of investment properties	–	93,333
(III) Transaction with CHB		
Deposit interest income	22,965	23,375
Rental income	12,458	12,418
Interest expenses (note 9)	(538)	(4,908)
Loss on foreign currency forward	(394,714)	(17,566)
Proceeds from management services	836	3,081
Exchange (loss)/gain on bank deposits	(5,347)	22,728
(IV) Transaction with 杭州星日		
Interest income (note 8)	15,796	212,626
(V) Transaction with 廣州綠嶸		
Interest income (note 8)	70,287	–
(VI) Transaction with 合錦嘉苑		
Interest income (note 8)	4,912	–
(VII) Transaction with 濟南鵬遠		
Interest income (note 8)	2,462	4,238

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties (Continued)

	2020 RMB'000	2019 RMB'000
(VIII) Transaction with 成都人居 Interest income (note 8)	9,119	7,495
(IX) Transaction with 智聯汽車 Interest income (note 8)	137,387	—
(X) Transaction with 廣州廣宏 Interest income (note 8)	11,746	—
(XI) Transaction with 武漢崇鴻 Interest income (note 8)	12,545	—
(XII) Transaction with Guangzhou Metro Interest expense (note 9)	(587,784)	(133,935)
Management service income	1,555	4,882
Payment for acquisitions of subsidiaries (note 19)	(276,740)	—
(XIII) Transaction with 廣州宏軒 Interest expense (note 9)	(7,081)	(3,098)
(XIV) Transaction with 廣州宏嘉 Interest expense (note 9)	(4,875)	(6,312)
(XV) Transaction with 廣州環擘 Interest expense (note 9)	(1,780)	(4,171)
(XVI) Transaction with Guangzhou Yue Xiu Interest expense (note 9)	—	(20,634)
(XVII) Transaction with 深圳安創 Interest expense (note 9)	—	(65,639)
(XVIII) Transaction with 桐鄉安豪 Interest expense (note 9)	(9,528)	(9,644)
(XIX) Transaction with 深圳聯新 Interest expense (note 9)	—	(39,984)
(XX) Transaction with 廣州聯衡 Interest expense (note 9)	—	(44,747)

## NOTES TO THE FINANCIAL STATEMENTS

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties (Continued)

	2020 RMB'000	2019 RMB'000
(XXI) Transaction with GYFL Rental income	9,776	9,961
(XXII) Transaction with GSCL Rental income	—	1,868
(XXIII) Transaction with 廣州悅錦 Disposal of a subsidiary	—	355,361
(XXIV) Transaction with 廣州越展 Addition of right-of-use assets	—	117,808
Interest expense on lease liabilities	(5,474)	(1,895)
Repayment of lease liabilities	(12,020)	(4,007)
(XXV) Transaction with 廣州造紙 Addition of right-of-use assets	—	52,309
Interest expense on lease liabilities	(2,479)	(212)
Repayment of lease liabilities	(4,914)	(409)

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

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (c) Balances with related parties

	Note	2020 RMB'000	2019 RMB'000
Amount due to ultimate holding company	(i), (ii)	(6,251)	(182,512)
Amount due to intermediate holding company	(i), (ii)	(3,602,107)	(1,900,304)
Amounts due from associated entities	(i), (iii)	3,019,948	2,914,497
Amounts due to associated entities	(ii), (vi)	(10,509,040)	(9,594,294)
Amounts due from joint ventures	(iv), (v), (vii)	2,367,890	4,563,486
Amounts due to joint ventures	(i), (ii)	(3,221,819)	(2,969,800)
Amounts due from related companies	(i), (ii)	39,805	47,241
Amounts due to related companies	(i), (ii)	(39,992)	(34,503)
Amounts due to fellow subsidiaries	(i), (ii)	(478,333)	(250,562)
Amounts due to a shareholder	(viii)	(6,968,253)	(7,538,621)
Amounts due from entity with significant influence over the subsidiaries	(i), (ii)	1,446,002	1,593,002
Amounts due to entity with significant influence over the subsidiaries	(ii), (ix)	(214,081)	(204,554)
Deposits in fellow subsidiaries	(x)	2,095,410	2,160,191
Bank borrowing from a fellow subsidiary	(xi)	—	(40,000)
Lease liabilities to intermediate holding company	(xii)	(3,149)	(7,374)
Lease liabilities to associated entities	(xii)	(67,385)	(132,823)
Lease liabilities to a fellow subsidiary	(xii)	(158,828)	(172,224)
Accrual for construction cost payable to a shareholder	(xiii)	(980,800)	(1,542,716)

Except for an amount due from an associated entity of approximately nil (31 December 2019: RMB54,610,000), amounts due from joint ventures of approximately RMB104,991,000 (31 December 2019: RMB106,298,000), an amount due to an associated entity of approximately RMB202,738,000 (31 December 2019: RMB179,622,000), an amount due to a joint venture of approximately RMB53,356,000 (31 December 2019: RMB56,735,000), lease liabilities to intermediate holding company of approximately RMB3,149,000 (31 December 2019: RMB7,374,000), amount due to intermediate holding company of approximately RMB378,843,000 (31 December 2019: RMB303,000), and bank deposit in a fellow subsidiary of approximately RMB11,749,000 (31 December 2019: RMB10,286,000) which are denominated in HKD, bank deposit in a fellow subsidiary of approximately RMB460,096,000 (31 December 2019: RMB1,836,000), amount due to intermediate holding company of approximately RMB457,195,000 (31 December 2019: RMB nil) and amount due from an associated entity of approximately RMB617,688,000 (31 December 2019: RMB627,858,000) which are denominated in USD, other related party balances are denominated in RMB.

## NOTES TO THE FINANCIAL STATEMENTS

### 47 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 RMB1,907,943,000 (31 December 2019: RMB793,274,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in joint ventures except for an amount of RMB14,066,000 (31 December 2019: RMB103,186,000) which is included in other receivables, prepayments and deposits.
- (v) The balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2019: RMB999,000) which is made for an amount due from a joint venture.
- (vi) Except for an amount of approximately RMB40,720,000 (31 December 2019: RMB223,617,000) which is unsecured and interest bearing at 9% per annum (2019: 9% per annum), and an amount of approximately RMB353,868,000 (31 December 2019: RMB480,626,000) which is unsecured and interest bearing at 4.31% per annum (2019: 4.31% per annum), the remaining balances are unsecured, interest free and repayable on demand.
- (vii) As at 31 December 2019, the amounts of RMB73,312,000 and RMB28,013,000 are unsecured and interest bearing at 8.50% and 4.75% per annum, respectively, which were received in 2020. The remaining balances are unsecured, interest free and receivable on demand.
- (viii) The balance of loan from a shareholder, Guangzhou Metro is approximately RMB6,243,301,000 as at 31 December 2020 (31 December 2019: RMB7,076,856,000), with an interest rate of 6.50% per annum (2019: 6.50% per annum) is repayable from 2022 to 2025. The remaining balance is interest payable which is payable quarterly.
- (ix) Except for an amount of approximately RMB163,311,000 (31 December 2019: RMB163,311,000), which is unsecured and interest bearing at 5.7% per annum (2019: which is unsecured and interest bearing at 5.70% per annum), the remaining balances are unsecured, interest free and receivable on demand.
- (x) These balances are deposits maintained with fellow subsidiaries on normal commercial terms.
- (xi) As at 31 December 2019, these balances were unsecured and interest bearing at 5.23% per annum. They were repaid in 2020.
- (xii) The Group leases office premises from an intermediate holding company and 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.
- (xiii) The balance is payable to Guangzhou Metro for the project construction on normal commercial terms.

**47 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:

	2020 RMB'000	2019 RMB'000
Fees	1,229	1,076
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	29,578	29,096
Pension costs	15	165
	<u>30,822</u>	<u>30,337</u>

**(e) Received guarantees**

- (i) Guangzhou Yue Xiu provides corporate guarantee for the bond of Guangzhou City Construction & Development Co. Ltd ("GZCC"), a subsidiary of the Group, amounted to RMB15,473 million as at 31 December 2020 (31 December 2019: RMB13,966 million).
- (ii) Guangzhou Yue Xiu provides corporate guarantee for bank loan of Kangjing Company, a subsidiary of the Group, amounted to RMB1,500 million as at 31 December 2020 (31 December 2019: RMB2,000 million).
- (iii) Guangzhou Yue Xiu provides corporate guarantee for bank loan of Suzhou Shenyi Property Development Co., Ltd, a subsidiary of the Group, amounted to RMB nil million as at 31 December 2020 (31 December 2019: RMB200 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 RMB60 million as at 31 December 2020 (31 December 2019: RMB90 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 2020 (31 December 2019: RMB16 million).

**(f) Provision of guarantees**

The Group provides guarantee for the borrowing of associated entities and joint ventures, see note 43.

## NOTES TO THE FINANCIAL STATEMENTS

## 48 COMPANY BALANCE SHEET

	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6,653	7,303
Right-of-use assets	3,444	6,889
Investment properties	11,722	12,639
Interests in subsidiaries	37,268,019	38,982,531
Interest in associated entities	19,276	19,266
Derivative financial instruments	—	65,179
	37,309,114	39,093,807
<b>Current assets</b>		
Other receivables, prepayments and deposits	1,329	2,183
Dividend receivables	8,300,111	6,837,831
Cash and cash equivalents	1,291,422	1,571,408
	9,592,862	8,411,422
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts due to subsidiaries	4,562,341	5,021,278
Amounts due to an intermediate holding company	3,602,095	1,900,295
Other payables and accrued charges	251,491	233,969
Derivative financial liabilities	358,703	—
Borrowings	—	1,557,590
Lease liabilities	2,368	3,791
	8,776,998	8,716,923
<b>Net current assets/(liabilities)</b>	815,864	(305,501)
<b>Total assets less current liabilities</b>	38,124,978	38,788,306

## 48 COMPANY BALANCE SHEET (Continued)

	2020 RMB'000	2019 RMB'000
<b>Non-current liabilities</b>		
Amount due to a subsidiary	19,441,513	19,561,891
Borrowings	–	133,298
Lease liabilities	1,933	3,258
Derivative financial liabilities	161,524	–
	<u>19,604,970</u>	<u>19,698,447</u>
<b>Net assets</b>	<u>18,520,008</u>	<u>19,089,859</u>
<b>EQUITY</b>		
Capital and reserves attributable to equity holders of the Company		
Share capital	18,035,015	18,035,015
Shares held under share award scheme	(121,282)	(81,577)
Reserves (note)	606,275	1,136,421
<b>Total equity</b>	<u>18,520,008</u>	<u>19,089,859</u>

On behalf of the Board

**Lin Zhaoyuan**  
Director

**Lin Feng**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

## 48 COMPANY BALANCE SHEET (Continued)

Note:

Reserves

	Hedging RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	50,801	1,085,620	1,136,421
Profit for the year	—	824,119	824,119
Losses on cash flow hedges	(604,395)	—	(604,395)
Costs of hedging	58,974	—	58,974
Hedging losses reclassified to profit or loss	657,397	—	657,397
Dividends paid	—	(1,466,241)	(1,466,241)
At 31 December 2020	162,777	443,498	606,275

	Hedging RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2019	(834)	962,732	961,898
Profit for the year	—	1,555,560	1,555,560
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	—	(1,432,672)	(1,432,672)
At 31 December 2019	50,801	1,085,620	1,136,421

# GROUP STRUCTURE

As at 31 December 2020, the Company held shares/interests in the following principal subsidiaries, joint ventures and associates.

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries</b>							
Able Step Investment Limited	Hong Kong	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	HKD1	–	100	–	100	Property investment
Charm Smart Development Limited	Hong Kong	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	HKD1	–	100	–	100	Property investment
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	–	100	–	Investment holding
Elsburg Limited	Hong Kong	HKD10,000	–	100	–	100	Property investment
Extra Act Limited	Hong Kong	HKD1,000	–	100	–	100	Investment holding
Fundscore Development Limited	Hong Kong	HKD500,000	–	100	–	100	Property investment

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
Glory Mission Development Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Green Park Development Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Guangzhou Baima Business Operation Property Management Co., Ltd	China, limited liability company	Registered capital RMB19,000,000	–	100	–	99.84	Property management
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	–	95	–	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	–	95	–	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	–	95	–	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HKD259,670,000	–	100	–	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	–	100	–	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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	100	–	99.75	Property development and investment
Guangzhou Yuejian 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	–	100	–	80	Property investment
Guangzhou Yuexiu 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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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 Yuexiu Yicheng Business Operation Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	–	100	–	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	–	95	–	95	Property development

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital USD499,070,000	–	100	–	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of USD1 each	–	100	–	100	Investment holding
Hoover (China) Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Jamsin Limited	Hong Kong	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
Intellect Aim Management Ltd.	British Virgin Islands	1 Ordinary shares of USD 1 each	–	100	–	100	Financing services
Jumbo Good Development Limited	Hong Kong	HKD2	–	100	–	100	Property investment
Keen Million Investment Limited	Hong Kong	HKD1	100	–	100	–	Financing services
Kingswell Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Leading Affluence Limited	Hong Kong	HKD1	–	100	–	100	Financing services
Lucken Limited	Hong Kong	HKD3	–	100	–	100	Property investment
Merry Growth Development Limited	Hong Kong	HKD100	–	100	–	100	Property investment
Nation Harvest Development Limited	Hong Kong	HKD2	–	100	–	100	Investment holding
Sino Peace Development Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Smart Rise Development Limited	Hong Kong	HKD100	–	100	–	100	Property investment

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	HKD1	–	100	–	100	Financing services
Winston Investment Limited	Hong Kong	HKD1	–	100	–	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	HKD10,000	–	100	–	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	HKD2	–	100	–	100	Property agency services
Yue Xiu Property Management Limited	Hong Kong	HKD10,000	–	100	–	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	–	100	–	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HKD1 each	–	100	–	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	–	100	–	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	–	100	–	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	–	100	–	Investment holding
Yuexiu Service Group Limited	Hong Kong	HKD684,621,000	–	100	–	–	Investment holding

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州華振科技服務有限公司	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
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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	100	–	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	–	50	–	49.88	Property management
越秀地產(山東)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	–	100	–	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	–	100	–	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	–	100	–	99.75	Property management
廣州市蒼景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	–	99.06	–	99.70	Greening services
廣州市悅冠智能科技有限公司	China, limited liability company	Registered capital RMB20,000,000	–	100	–	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	–	95.48	–	95.48	Property development
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	–	95.48	–	95.48	Property development
廣州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

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	100	–	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	–	80	–	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
杭州越港實業有限公司	China, limited liability company	Registered capital RMB360,000,000	–	95.48	–	95.48	Property development
江門越港房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	–	46.41	–	46.41	Property development
廣州東耀房地產開發有限公司	China, limited liability company	Registered capital RMB2,000,000,000	–	48.69	–	48.69	Property development

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
武漢市錦熹實業投資合夥企業 (有限合夥)	China, limited partnership	Registered capital RMB1,000,000	–	99	–	99	Investment consulting
杭州樾樂投資管理合夥企業 (有限合夥)	China, limited 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, limited 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, limited partnership	Registered capital RMB10,000	–	99	–	99	Investment holdings
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
杭州樂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

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
杭州榮耀實業投資有限公司	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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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
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

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Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	95	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
蘇州榮耀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

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
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	–	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	–	82.11	Property development
廣州綠禎房地產開發有限公司	China, limited liability company	Registered capital RMB400,000,000	–	38.23	–	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	–	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	–	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	–	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	–	95	Property development
青島康景實業有限公司	China, limited liability company	Registered capital RMB842,011,262	–	100	–	100	Property development
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	–	47.5	Property development
杭州金鈺房地產開發有限公司	China, limited liability company	Registered capital RMB350,000,000	–	95	–	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	–	95	Property development
杭州杭秀房地產開發有限公司	China, limited liability company	Registered capital RMB1,650,000,000	–	100	–	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	–	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	–	48.69	Property development

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Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州越冠房地產開發有限公司	China, limited liability company	Registered capital RMB600,100,000	–	51.39	–	95	Property development
青島雲耀實業有限公司	China, limited liability company	Registered capital RMB167,843,754	–	100	–	100	Property development
杭州鈺杭房地產開發有限公司	China, limited liability company	Registered capital RMB50,000,000	–	95	–	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	–	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	–	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	–	48.69	Property development
廣州市品蒼房地產開發有限公司	China, limited liability company	Registered capital RMB737,860,000	–	48.69	–	48.69	Property development
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	–	95.48	Property development

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
中山越佳房地產開發有限公司	China, limited liability company	Registered capital RMB1,010,000,000	–	95	–	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	–	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	–	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	–	48.69	Property development
廣州越創智數資訊科技有限公司	China, limited liability company	Registered capital RMB8,000,000	–	95	–	95	Commercial services
廣州悅秀智訊科技資訊諮詢 有限公司	China, limited liability company	Registered capital RMB8,000,000	–	95	–	95	Commercial services
長沙康盛房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	–	95	–	95	Property development
鄭州東煌房地產開發有限公司	China, limited liability company	Registered capital RMB 150,000,000	–	95	–	95	Property development
長沙越和房地產開發有限公司	China, limited liability company	Registered capital RMB 250,000,000	–	81.04	–	9.5	Property development
長沙嘉耀房地產開發有限公司	China, limited liability company	Registered capital RMB 620,000,000	–	53.11	–	9.5	Property development
太倉越雋房地產開發有限公司	China, limited liability company	Registered capital RMB 120,000,000	–	95	–	–	Property development
杭州越嘉房地產開發有限公司	China, limited liability company	Registered capital RMB 50,000,000	–	95	–	–	Property development

## GROUP STRUCTURE

Company	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
			2020		2019		
			Direct	Indirect	Direct	Indirect	
<b>Principal subsidiaries (Continued)</b>							
廣州越秀城房地產開發有限公司	China, limited liability company	Registered capital RMB 1,200,000,000	–	95.48	–	–	Property development
廣州越秀華城房地產開發有限公司	China, limited liability company	Registered capital RMB 50,000,000	–	95.48	–	–	Property development
廣州市品輝房地產開發有限公司	China, limited liability company	Registered capital RMB 3,100,000,000	–	48.69	–	–	Property development
廣州市品冠房地產開發有限公司	China, limited liability company	Registered capital RMB 1,958,700,000	–	48.69	–	–	Property development
重慶越嘉房地產開發有限公司	China, limited liability company	Registered capital RMB 300,000,000	–	95.48	–	–	Property development
廣州地鐵環境工程有限公司	China, limited liability company	Registered capital RMB 10,060,000	–	67	–	–	Greening services
廣州地鐵物業管理有限責任公司	China, limited liability company	Registered capital RMB 5,010,000	–	67	–	–	Property management
蘇州燿秀房地產開發有限公司	China, limited liability company	Registered capital RMB 150,000,000	–	100	–	–	Property development
煙台領秀房地產開發有限公司	China, limited liability company	Registered capital RMB 301,400,000	–	100	–	–	Property development
青島卓城置業有限公司	China, limited liability company	Registered capital RMB 100,000,000	–	39	–	–	Property development
青島怡城置業有限公司	China, limited liability company	Registered capital RMB 50,000,000	–	39	–	–	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

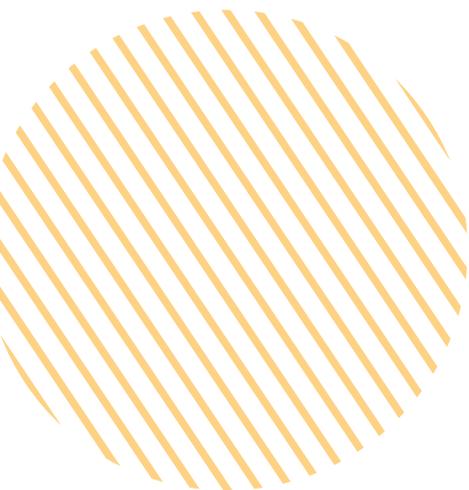
Joint ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co. Ltd.	China, limited liability company	57.14	–	52	–	52	Property development
廣州中耀實業投資有限公司	China, limited liability company	50	–	47.74	–	47.74	Property development
廣州越禾房地產開發有限公司	China, limited liability company	50	–	47.74	–	47.74	Property development
深圳市銀幸現代養老服務有限公司	China, limited liability company	51	–	48.45	–	48.45	Elderly care service
武漢中建越秀港投開發有限公司	China, limited liability company	35	–	35	–	35	Property development
廣州智聯汽車小鎮投資發展有限公司	China, limited liability company	30	–	28.64	–	28.64	Property development
蘇州嶼秀房地產開發有限公司	China, limited liability company	16.50	–	15.68	–	15.68	Property development
湖北宏秀房地產開發有限公司	China, limited liability company	30	–	28.50	–	28.50	Property development
武漢崇鴻裕業房地產開發有限公司	China, limited liability company	15	–	14.25	–	14.25	Property development
濟南鵬遠置業有限公司	China, limited liability company	40	–	38	–	38	Property development
江門市濱江房地產開發投資有限公司	China, limited liability company	50	–	47.50	–	47.50	Property development
廣州廣宏房地產開發有限公司	China, limited liability company	40	–	38.19	–	38.19	Property development
江門市濱江置業房地產開發經營有限公司	China, limited liability company	50	–	47.50	–	47.50	Property development
江門市越通房地產開發有限公司	China, limited liability company	51	–	48.45	–	48.45	Property development
成都人居興彭置業有限公司	China, limited liability company	45	–	42.75	–	42.75	Property development
蘇州工業園區大正置業有限公司	China, limited liability company	30	–	28.50	–	–	Property development
成都居越房地產開發有限公司	China, limited liability company	49	–	46.55	–	–	Property development
廣州嵩峰房地產開發有限公司	China, limited liability company	45	–	42.96	–	–	Property development

## GROUP STRUCTURE

Associates	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2020		2019		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong (ii)	–	38.04	–	38.10	Property investment
廣州宏嘉房地產開發有限公司(i)	China, limited liability company	–	15.95	–	15.95	Property development
廣州宏軒房地產開發有限公司(i)	China, limited liability company	–	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, limited liability company	–	44.59	–	44.59	Property development
杭州龍禧房地產開發有限公司	China, limited liability company	–	28.64	–	28.64	Property development
廣州環嶼房地產開發有限公司(i)	China, limited liability company	–	15.95	–	15.95	Property development
杭州星日房地產開發有限公司	China, limited liability company	–	49.08	–	49.08	Property development
武漢越秀地產開發有限公司	China, limited liability company	–	33	–	33	Property development
廣州合錦嘉苑房地產開發有限公司(i)	China, limited liability company	–	14.25	–	14.25	Property development
杭州添智投資有限公司(i)	China, limited liability company	–	15.91	–	15.91	Investment holding
廣州市昊品房地產有限公司	China, limited liability company	–	46.55	–	46.55	Property development
廣州碧森房地產開發有限公司(i)	China, limited liability company	–	13.63	–	13.63	Property development
濟南元賀置業有限公司	China, limited liability company	–	23.51	–	23.51	Property development
廣州市越匯房地產有限公司	China, limited liability company	–	31.45	–	31.45	Property development
中山市華越宏軒置業發展有限公司	China, limited liability company	–	46.55	–	46.55	Property development
廣州耀恒房地產開發有限公司	China, limited liability company	–	46.78	–	–	Property development
廣州穗昭置業有限公司	China, limited liability company	–	47.50	–	–	Property development
廣州越秀康養投資合夥企業(有限合夥)	China, limited partnership	–	52.25	–	–	Investment holding

## Notes:

- (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.
- (ii) A Hong Kong collective investments scheme authorised under Section 104 of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).



**越秀地產股份有限公司**

**YUEXIU PROPERTY COMPANY LIMITED**

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