



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123

Where Good Living Starts



Annual Report 2014



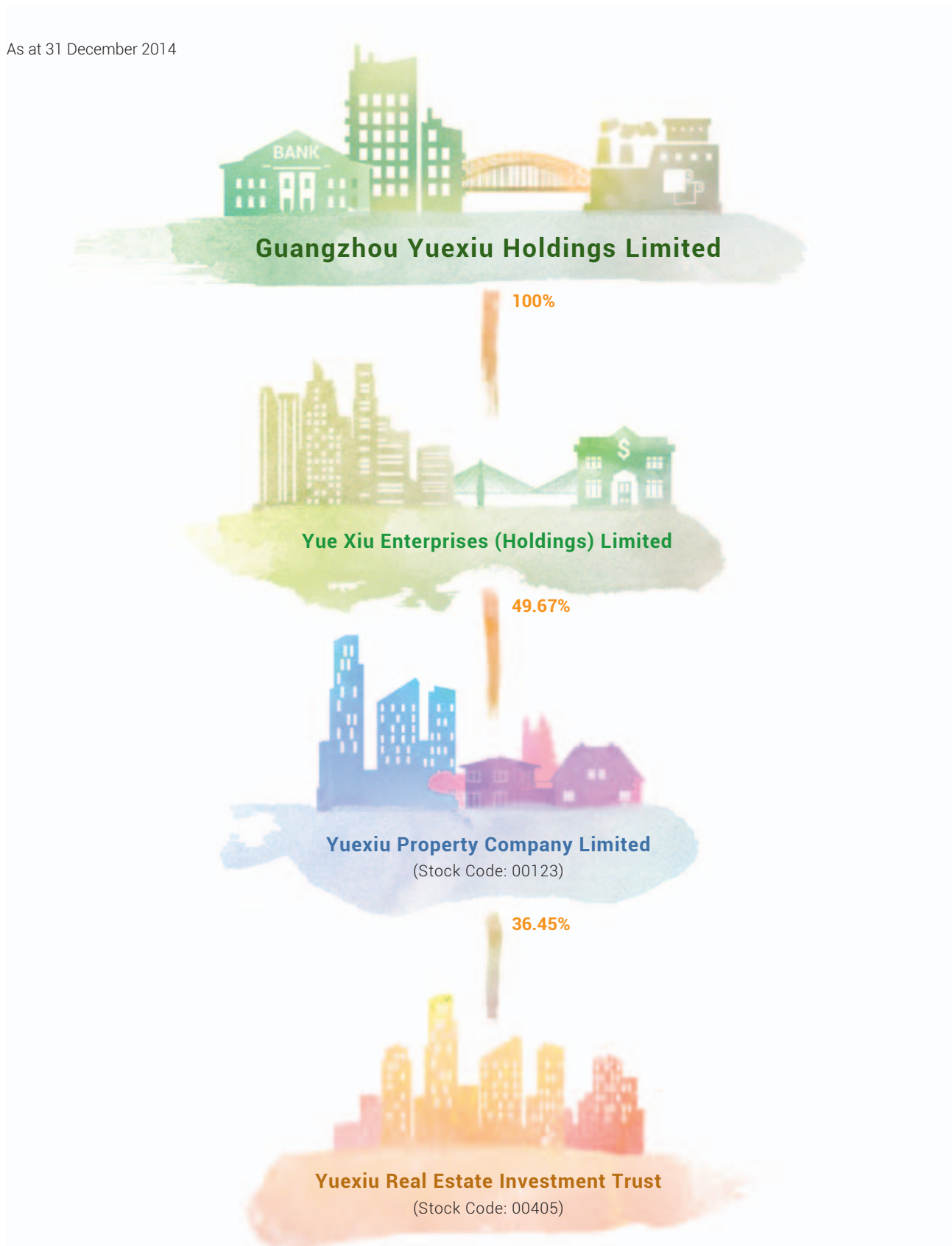


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# Corporate Structure

As at 31 December 2014



# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

Mr Zhang Zhaoxing (Chairman)  
Mr Zhu Chunxiu  
Mr Tang Shouchun  
Mr Chen Zhihong  
Mr Li Feng  
Mr Ou Junming

### 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

## QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

## HONG KONG LEGAL ADVISER

Baker & McKenzie

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Bank of East Asia 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.  
Malayan Banking Berhad

## ADR DEPOSITARY BANK

The Bank of New York Mellon  
American Depositary Receipts  
620 Avenue of the Americas, 6th Floor  
New York, NY 10011, USA  
Telephone : (646) 885 3218  
Facsimile : (646) 885 3043

## WEBSITES TO ACCESS COMPANY INFORMATION

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

## REGISTERED OFFICE

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

## SHARE REGISTRAR

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

## LISTING EXCHANGE

### Shares

The Stock Exchange of Hong Kong Limited  
Singapore Exchange Securities Trading Limited

### Stock codes

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

### Bond

The Stock Exchange of Hong Kong Limited  
U.S.\$350,000,000 3.25 per cent. Notes due 2018  
(Stock code: 4596)  
U.S.\$500,000,000 4.50 per cent. Notes due 2023  
(Stock code: 4597)  
HK\$2,300,000,000 6.10 per cent. Notes due 2029  
(Stock code: 5846)

## INVESTOR RELATIONS

For further information about  
Yuexiu Property Company Limited,  
please contact:

Mr Ha Hang Leung, Alan  
Telephone : (852) 2593 2326  
Facsimile : (852) 2511 0832  
Email : [ir@yuexiuproperty.com](mailto:ir@yuexiuproperty.com)

# Financial Highlights

## INCOME STATEMENT HIGHLIGHTS

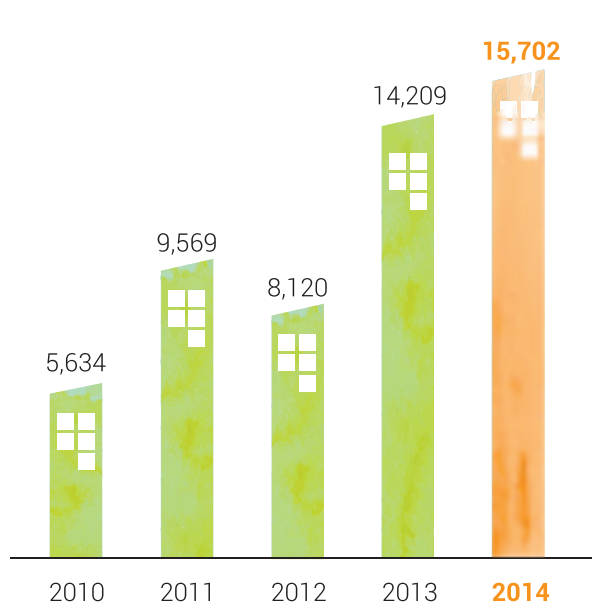
RMB' 000	For the year ended 31 December				
	2014	2013	2012	2011	2010
			As restated		As restated
Revenue	<b>15,701,739</b>	14,208,873	8,119,945	9,569,006	5,633,963
Gross profit	<b>4,138,021</b>	4,104,453	3,857,881	4,004,094	1,881,263
Profit attributable to equity holders					
– from continuing operations	<b>2,471,255</b>	2,880,343	2,481,834	5,235,666	918,840
Basic earnings per share					
– from continuing operations (RMB)	<b>0.2329</b>	0.2901	0.2672	0.5640	0.1228

## BALANCE SHEET HIGHLIGHTS

RMB' 000	As of 31 December				
	2014	2013	2012	2011	2010
			As restated	As restated	As restated
Total cash (including cash, cash equivalents and charged bank deposits)	<b>12,957,343</b>	8,374,233	9,263,401	6,127,658	7,472,712
Total assets	<b>93,075,353</b>	78,070,648	69,996,933	61,213,284	50,799,557
Total assets less current liabilities	<b>59,116,252</b>	46,280,399	42,440,452	37,854,687	31,477,818
Shareholders' equity	<b>29,103,975</b>	24,175,205	22,158,140	20,186,647	15,662,746
Shareholders' equity per share (RMB)	<b>2.347</b>	2.593	2.383	2.174	1.708

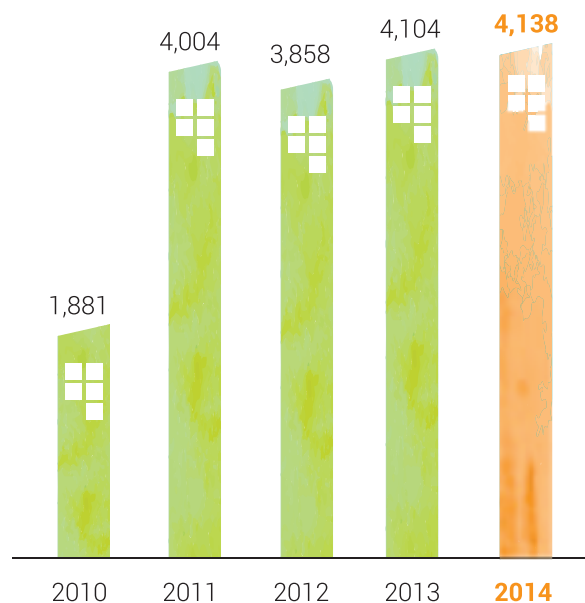
### Revenue

(RMB Million)



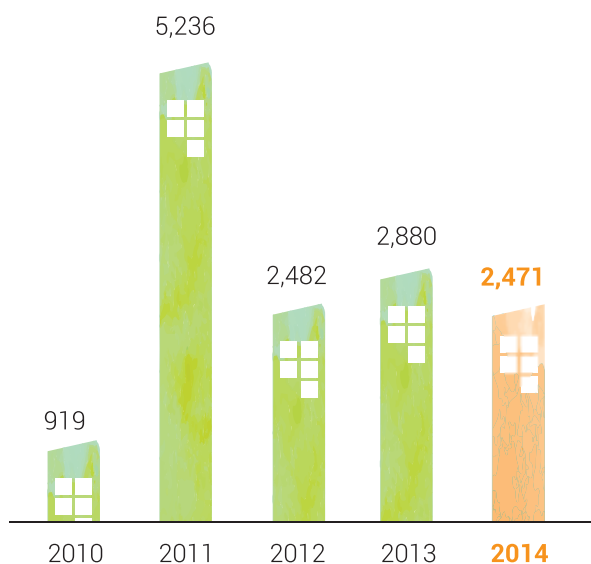
### Gross Profit

(RMB Million)



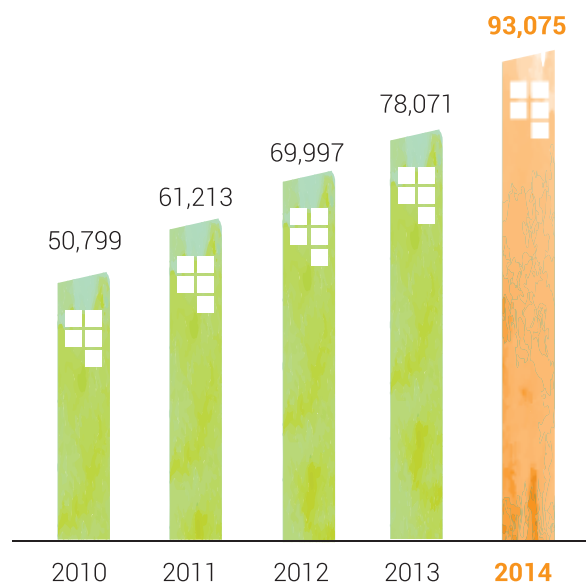
## Profit Attributable to Equity Holders - from continuing operations

(RMB Million)



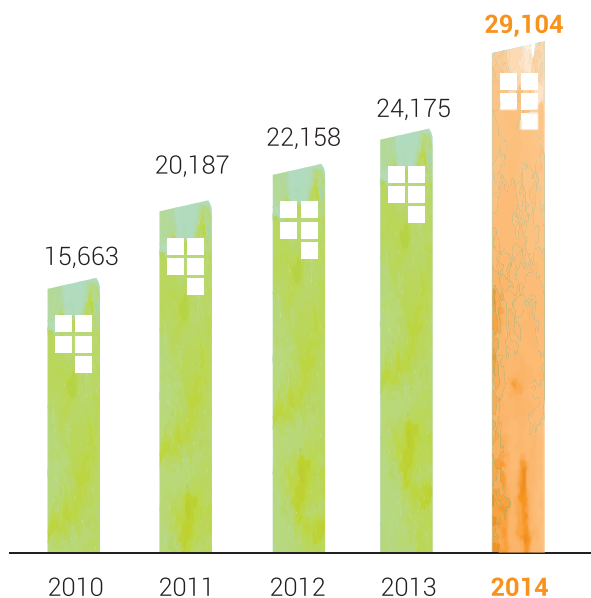
## Total Assets

(RMB Million)



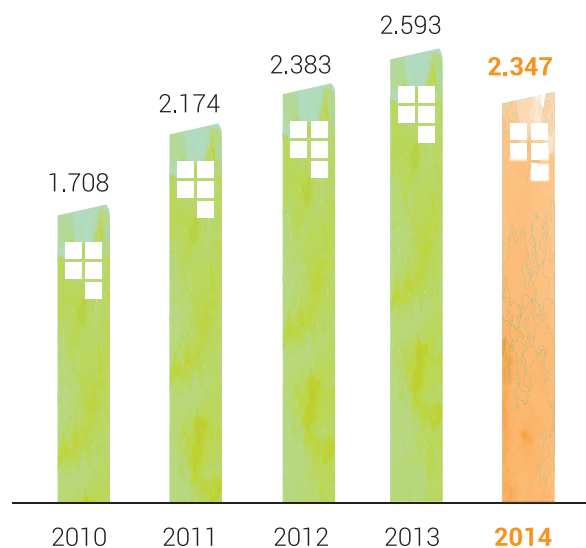
## Shareholders' Equity

(RMB Million)



## Shareholders' Equity Per Share

(RMB)



# Key Events of the Year



The Group acquired the land parcel for Hangzhou Starry Joy City through partnership with an investment fund once again. Through this project, the Group was able to implement the quick turnover strategy of “acquisition, construction and launching for sale within the same year” and made a breakthrough in development speed.



The right issue of the Group was successfully completed with proceeds of approximately HK\$3,846 million, which further enhanced our financial flexibility. The right issue was completed with an over-subscription of 4.19 times, which demonstrated shareholder and investors’ full confidence in the prospect of the Group.

**JAN**

**AUG**

**SEP**

**OCT**

**OCT**

The Group was awarded “The Outstanding Chinese Property Developers Award 2014” by “Economic Digest” for the sixth consecutive year.



The Group was granted investment-grade rating by international rating agency Standard & Poor's, and also maintained the previous investment-grade ratings by international rating agencies Moody's and Fitch, thus, the Group became one of the very few domestic property developers with investment-grade ratings granted by these three rating agencies at the same time.

The Group held business promotion meetings in Hong Kong with good feedbacks for two of its new commercial complexes, i.e. Wuhan Starry Winking and Nanhai Starry Winking.





The 2013 annual report of the Group was awarded "Galaxy Annual Reports Awards – Overall Presentation – Property Development Silver Winner" from USA renowned annual report award institution MERCOMM.

The Group was awarded the "Corporate Governance Gold Award 2014" by "The Asset" Magazine for the third consecutive year.

**NOV**

**NOV**

**DEC**

**DEC**

**DEC**

**DEC**

**OCT**

The Group completed a private placement of HK\$2,300 million corporate notes on a term of 15 years, with the annual coupon rate at only 6.1%, which provide the Group with significant development capital and set a new benchmark for the long-term debt financing of the real estate industry. The issuance of the corporate notes through private placement further improved the Group's financial structure and its financial performance.



The Group exercised the call option for the first time, and repurchased 80% equity interest in Foshan Lingnan Junting from the investment fund, which fully evidenced the unique advantage of the Group's partnership with investment fund.



The Group was awarded "Zhan Tianyou Civil Engineering Prize" for both Guangzhou IFC and the Guangzhou Cement Factory old community improvement project (Guangzhou Lingnan Riverside and Guangzhou Fortune World Plaza) developed by the Group.

The Group acquired a parcel of land at Tonghe, Baiyun District, Guangzhou for a total consideration of approximately RMB6.45 billion, which further replenished its land bank in Guangzhou.

In 2014, the Group recorded an aggregate contracted sales value of approximately RMB22.014 billion, representing a year-on-year increase of 50.4%. The Group delivered record high in contracted sales and achieved the full-year sales target of RMB22 billion. The year-on-year growth rate and target completion rate of the Group were among the top rankings in the industry.







# Chairman's Statement

## Chairman's Statement



In 2014, the Group adhered to the objective of “enhancing strengths through reform and innovation, facilitating forward-leaping development through transformation and upgrade” and adopted the main themes of “three ensurings, three accelerations and three strengthenings”. Against a backdrop of complicated and fluctuating property market in 2014, the Group still delivered satisfactory result through capturing the market trend and adjusting strategy appropriately.

**Zhang Zhaoxing**  
*Chairman*

## I. BUSINESS REVIEW

### **Economic and Market Environment**

In 2014, under the persistent impact of the international financial crisis, the global economy entered into a new situation. The U.S. economic improved and announced to end the Quantitative Easing Policy, yet Japan and EU maintained or started quantitative easing measures. China's economy entered into a "new normal", the economic growth slowed down and reached 7.4% in 2014, which was the lowest growth rate since 1990 and below the growth target of 7.5%. However, in terms of total national economic output, it reached the level of RMB63.6 trillion, surpassing the benchmark of RMB60 trillion for the first time, making China and U.S. the only two economies in world surpassing the size of US\$10 trillion. Overall speaking, the China's economy remained stable under the "new normal" and presented a desirable trend of stabilised growth, optimized structure, enhanced quality and improved standard of living.

In 2014, China property market experienced a substantial adjustment. The expansion in development scale after the strong growth of property sales in 2013, caused the sudden release of supply in large quantity, resulting the imbalance of supply and demand, and the selling price drop to a reasonable level from a high-watermark. However, after the correction in the first half of the year, the central government accommodated the upgrading housing demand through relaxing Home Purchasing Restriction policy and reducing interest rate, and the property market rebounded moderately in the second half of the year. The GFA sold and sales value of commodity housing in 2014 was 1.2 billion sq.m. and RMB7.6 trillion respectively, decreases of 7.6% and 6.3% comparing with the corresponding period of 2013.

### **Operating Results Achieved Stable Growth**

In 2014, the Group adhered to the objective of "enhancing strengths through reform and innovation, facilitating forward-leaping development through transformation and upgrade" and adopted the main themes of "three ensurings, three accelerations and three strengthenings". Against a backdrop of complicated and fluctuating property market in 2014, the Group still delivered satisfactory result through capturing the market trend and adjusting strategy appropriately.

In 2014, revenue realized by the Group was approximately RMB15,702 million, an increase of 10.5% comparing with the corresponding period of 2013. Profit attributable to equity holders was approximately RMB2,471 million, a decrease of 14.2% comparing with the corresponding period of 2013. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and foreign exchange loss/gain) was approximately RMB1,575 million, an increase of 17.0% comparing with the corresponding period of 2013.

The Board proposed to declare a final dividend for 2014 of HK\$0.027 per share, which was equivalent to approximately RMB0.022 per share, together with the interim dividend of HK\$0.049 per share, which was equivalent to approximately RMB0.039 per share, total dividends for the full year of 2014 was HK\$0.076 per share, which was equivalent to approximately RMB0.061 per share. Total dividends represented 40% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties and the related tax impact and foreign exchange loss/gain.

# Chairman's Statement

## **Record High Contracted Sales**

In 2014, after recognizing the market landscape, the Group adjusted sales strategies flexibly to capture early opportunities in the market and responded positively to the downturn of the market. Contracted sales for the full year met the target by adopting diversified and innovative sales methods. The Group recorded aggregate contracted sales value of approximately RMB22,014 million and the aggregate contracted sales GFA was approximately 1,886,100 sq.m., increased by 50.4% and 63.3% respectively comparing with the corresponding period of 2013. The Group delivered a record high in contracted sales for the full year, and our target completion rate and year-on-year growth rate were of the highest rankings among peers in the industry.

## **Flexible Financing Channels Optimized Financial Structure**

In 2014, facing the financing environment with tightened liquidity in general, the Group fully utilized onshore and offshore financing channels advantages for realizing a balance of capital and further optimized the financing structure. In 2014, the new financing and refinancing amount of RMB21,750 million was realized, included the successfully completed rights issue financing of HK\$3,846 million with an over-subscription of 4.19 times and private placement of HK\$2.3 billion corporate bonds for a term of 15 years with annual coupon rate at only 6.1%. As of the end of 2014, the total borrowings reached approximately RMB32,059 million, the ratio between onshore and offshore borrowings of the Group was 42%:58%. By a mix of funding channels, the average funding cost in 2014 was further decreased 0.52 percentage point to 5.07%.

In 2014, the Group successfully maintained the investment-grade ratings by international rating agencies Moody's and Fitch, and was also granted investment-grade rating by another international rating agency Standard & Poor's, and the Group became one of the very few domestic property developers with investment-grade ratings granted by these three rating agencies at the same time. The ratings granted to the Group by Moody's, Fitch and Standard & Poor's were "Baa3/stable", "BBB-/stable" and "BBB-/stable" respectively.

## **First Time to Exercise Call Option Manifested the Advantage of Partnership with Investment Fund**

Since 2013, the Group started to partner with an investment fund in land acquisition. This innovative model enhanced the Group's financial flexibility and allowed the Group to expand in scale at a faster rate. In 2014, the Group exercised the call option for the first time, which repurchased 80% equity interest of Foshan Lingnan Junting from the investment fund. Our first time to exercise call option fully evidenced the unique advantage of our Group's partnership with investment fund, which lowered the investment risk in the early stage of development, substantially shortened input and output cycle, increased asset turnover.

### **A Nationwide Layout was Solidified by Returning to Tier 1 and Tier 2 Cities**

Under the strategic layout of “home base in Guangzhou and strategic expansion nationwide”, the Group captured market opportunities and timely acquired landbank according to the strategic guidance of “returning to Tier 1 and Tier 2 cities”. Following the acquisition of the Hangzhou Gudun Road land parcel through partnership with investment fund in the first half of 2014, the Group also acquired Guangzhou Baiyun Tonghe land parcel, through its wholly-owned subsidiary in the second half of the year, the total consideration of the 2 parcels amounted to approximately RMB7,451 million, and the total GFA was 834,300 sq. m..

As of 31 December 2014, the total landbank of the Group was approximately 14.31 million sq.m.. In terms of the attributable interest, the Group’s landbank was approximately 11.62 million sq.m.. The Group’s landbank had major presence in 12 cities in the Pearl River Delta, the Yangtze River Delta, Bohai Rim Economic Zone and Central China region, showing remarkable effect of a nationwide presence in China.

### **Strengthening of Two-way Communication with Capital Market**

In 2014, the Group continued to work on improving investor relations, enabling timely and effective communication with investors and analysts while allowing the management of the Group to get a deeper understanding of the capital market. Thus, two-way communication channels between the Group and the capital market were established, through which shareholders and investors can know more about the operation and development of the Group on the one hand, and give the feedback and opinions from investors to management for formulating future strategies, on the other hand.

The Group’s efforts were also confirmed and recognized by the capital market, with the reputation of our corporate brand continuing to strengthen. In 2014, the Group was awarded the “2014 Corporate Governance Gold Award” and “The Outstanding China Property Developers Award 2014” by “The Asset” magazine and “Economic Digest”, respectively, and our 2013 annual report was also awarded “Galaxy Annual Reports — Overall Presentation — Property Development-Silver Prize” from USA renowned annual report award institution MERCOMM.

## **II. BUSINESS OUTLOOK**

In 2015, the global economic environment will remain challenging. Although some developed economies have accelerated in recovery, the process is complicated and endless. At the beginning of the year, Europe initiated the quantitative easing policy to stimulate investment and consumption through releasing liquidity by cutting interest rate in order to generate economic growth, and accordingly the global money supply is anticipated to maintain at a relatively stable level. China property market will be more complicated in 2015. Under increasing downward pressure on the national economy, the industry enters a new normal. Market competition and changes become more intensive, leading to greater challenges, while encompassing new development opportunities at the same time. “Less administrative” will be the major direction of development. When sales restrictions are fully removed, the property market will establish a long-term effective mechanism adapting to the new normal. Continual relaxation of monetary policy will be favourable for the property market to recover moderately.

# Chairman's Statement

Under such new normal of the macro-economy, the Group will continue to maintain a sense of urgency for development and adhere to the objectives of "enhancing internal strengths through upgrading management, increasing vigour through reforms and innovations" by focusing on the main themes of "three ensurings, three breakthroughs and three enhancements" to strengthen management and risk control, enhancing quality and efficiency, adapting to new normal state actively, to realize a perfect completion of the Twelfth Five-year Plan and paving the way for the Thirteenth Five-year Plan.

## **Achieve Progress Amidst Stability through Implementation of "Three Ensurings"**

**Ensure completion of major operating indicators for the full year.** In 2015, the Group will further increase the sales target according to operating conditions and the development trend of the property market, contracted sales target is set at RMB24.8 billion, an increase of 12.7% comparing the corresponding period of 2014. **Ensure development funds and security.** Expand financing channels according to conditions of the financing environment, optimize financial structure to lower financing costs, accelerate recovery of funds and improve the financial risk monitoring system to ensure security of funds and investment grade rating. **Ensure efficient investment demand.** Pursuant to the expansion strategic guidelines of "returning to tier 1 and tier 2 cities", further expand development scale on quality land parcels with reasonable price.

## **Adhere to Reforms and Realize "Three Breakthroughs"**

**Achieve new breakthroughs by reforming systems and mechanisms to stimulate new vigour.** The Group conducted reforms on mechanisms according to the business development needs of the Group, by centering on the Employee Incentive Scheme of "sharing benefits and risks jointly" as core, both the management and shareholders aim at the same target level. At the beginning of 2015, the Group implemented the Employee Incentive Scheme in the Foshan Chancheng Foping Road Project for the first time. **Achieve significant breakthrough through consolidation of resources to create a new development landscape.** The Group will seek merger and acquisition opportunities actively amidst the process of survival of the fittest in the industry to achieve notable enhancement in scale, efficiency and benefits. **Further breakthrough has been made in the optimization of business model and increase the growth momentum.** Mode of cooperation with investment funds has been optimized and active exploration is made in the developing direction of property financing.



### **Upgrading Management to Achieve “Three Enhancements”**

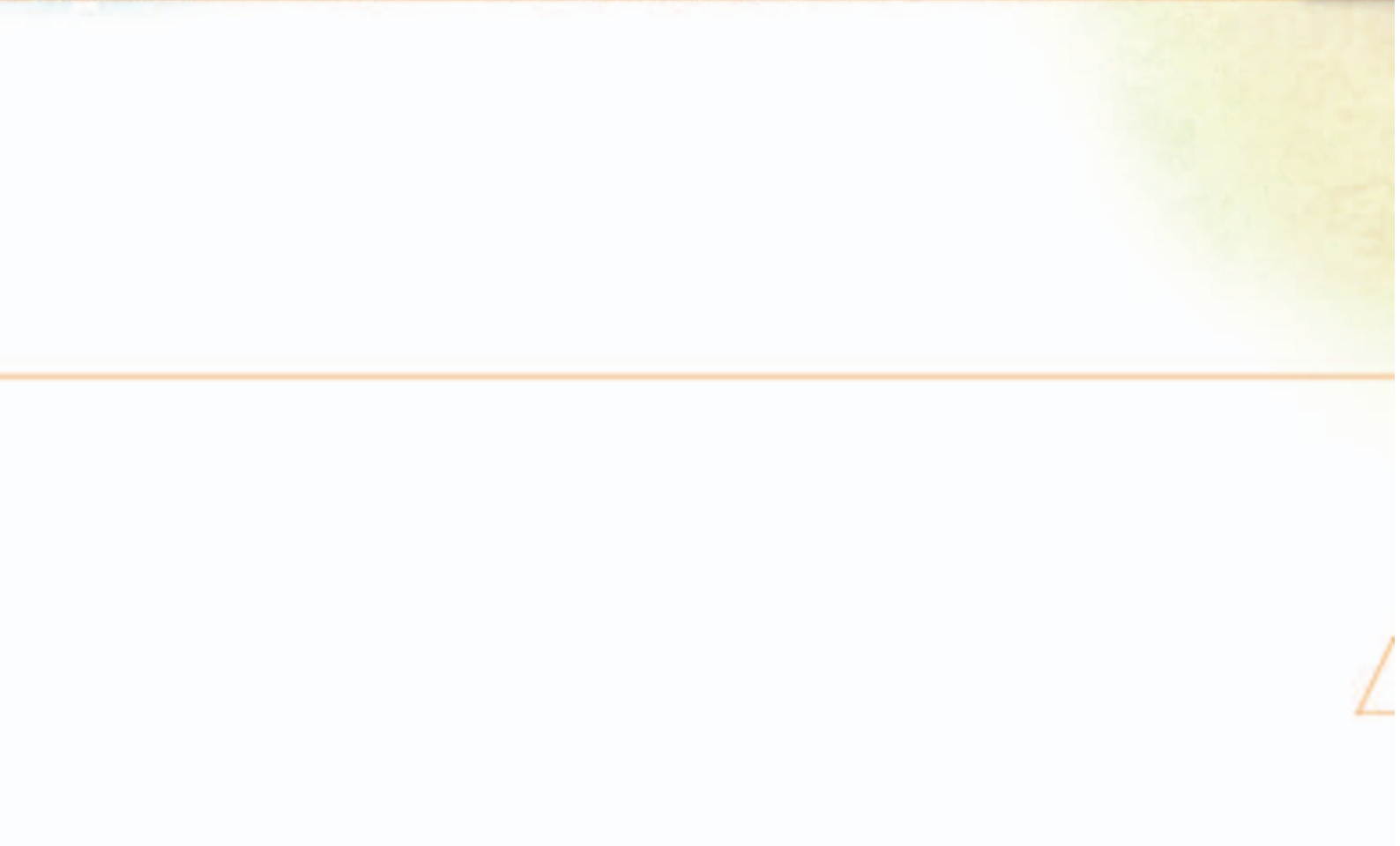
**Reinforce efficiency management, enhance operation quality.** Control expenses strictly and accelerate turnover rate so as to increase return for shareholders and strive to realize the transformation from “growth in scale” to “efficiency development”. **Optimize the management and control system, enhance organizing capability.** Further optimize the management and control system for investment, cost control, finance and human resources by recruiting professionals to further optimize the personnel structure. **Deepen the building of a value-creation head office and enhance the supporting capability of the head office.** Reinforce the building of a “value-creation” head office, enhance strategic management work to strengthen the strategic leadership role of the head office. At the same time, management and development costs are also strictly controlled to strengthen financial management. Resources will be coordinated and consolidated to strengthen the coordination management of funds and taxation matters.

### **ACKNOWLEDGMENT**

With respect to the sound developments of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavours, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and dedicated support.

**Mr. Zhang Zhaoxing**

*Chairman*





# Management Discussion and Analysis

# Management Discussion and Analysis

## REVENUE AND GROSS PROFIT

In 2014, the Group realized revenue of approximately RMB15,702 million (2013: RMB14,209 million), increased by 10.5% comparing with the corresponding period of 2013. The gross profit was approximately RMB4,138 million (2013: RMB4,104 million), increased by 0.8% comparing with the corresponding period of 2013, and the gross profit margin was approximately 26.4%, a decrease of 2.5 percentage points comparing with the corresponding period of 2013, which was mainly due to the changes in product mix, as more commercial properties with high gross profit margin were recognized during the corresponding period of 2013.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2014, profit attributable to equity holders of the Group was approximately RMB2,471 million (2013: RMB2,880 million), a decrease of 14.2% comparing with the corresponding period of 2013, mainly due to the fair value gains in 2014 of approximately RMB1,405 million (2013: RMB1,975 million), representing a decrease of 28.9% comparing with the corresponding period of 2013. Excluding fair value gains on revaluation of investment properties and the related tax impact and foreign exchange loss/gain, the core net profit was approximately RMB1,575 million, an increase of 17.0% comparing with the corresponding period of 2013, core net profit margin was 10.0%.

## CONTRACTED SALES

In 2014, the Group recorded an aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB22,014 million, an increase of 50.4% comparing with the corresponding period of 2013, equivalent to an achievement of approximately 100% of the full-year contracted sales target of RMB22 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) was approximately 1,886,100 sq.m., representing an increase of 63.3% comparing with the corresponding period of 2013, the average selling price was approximately RMB11,700 per sq.m., a decrease of 7.9% comparing with the corresponding period of 2013, due to the change in product mix.

In terms of regional composition, Guangzhou accounted for approximately 57.3% of the aggregate contracted sales value of 2014, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.2%, Yangtze River Delta accounted for approximately 8.6%, Central China Region accounted for approximately 14.0%, and Bohai Rim Economic Zone accounted for approximately 7.9%. In terms of types of products, residential properties and parking accounted for approximately 93.2%, commercial properties and other products accounted for approximately 6.8%.

Contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	Residential	3,600	211	58,600
2	Guangzhou Starry Winking	Residential	1,300	49	37,700
3	Guangzhou Fortune Century Square	Commercial	10,200	344	33,700
4	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	18,700	443	23,700
5	Guangzhou Starry Golden Sands	Residential	95,200	1,686	17,700
6	Guangzhou Starry Wenhua	Residential	18,800	450	23,900
7	Guangzhou Starry Wenhan	Residential	5,000	127	25,400
8	Guangzhou Starry Wenyu	Residential	18,900	463	24,500
9	Guangzhou Paradiso Riverside	Residential	85,900	1,232	14,300
10	Guangzhou Paradiso Sunshine	Residential	11,100	129	11,600
11	Southern Le Sand	Residential	188,200	2,002	10,600
12	Guangzhou Lingnan Hillside	Residential	77,000	1,438	18,700
13	Guangzhou Lingnan Villas	Residential	63,900	837	13,100
14	Guangzhou Lingnan Wood	Residential	65,900	963	14,600
15	Huadu Glade Greenland	Residential	1,100	7	6,400
16	Conghua Glade Village	Residential	2,200	35	15,900
17	Conghua Glade Greenland	Residential	101,200	668	6,600
	Other projects	N/A	35,400	827	23,400
	<b>Subtotal (Guangzhou)</b>		<b>803,600</b>	<b>11,911</b>	<b>14,800</b>
18	Jiangmen Starry Regal Court	Residential	101,800	699	6,900
19	Zhongshan Starry Winking	Residential	49,700	297	6,000
20	Zhongshan Starry Junting	Residential/ Commercial	19,600	223	11,400
21	Zhongshan Starry Peakfield	Residential	38,600	298	7,700
22	Zhongshan Paradiso Jadin	Residential	58,900	301	5,100
23	Nanhai Starry Winking	Residential	16,900	265	15,700
24	Foshan Lingnan Junting	Residential	75,900	592	7,800
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>361,400</b>	<b>2,675</b>	<b>7,400</b>
25	Hangzhou Starry City	Residential	38,000	232	6,100
26	Hangzhou Starry Joy City	Residential	28,200	314	11,100
27	Kunshan Paradiso Pavilion	Residential	161,300	1,355	8,400
	<b>Subtotal (Yangtze River Delta)</b>		<b>227,500</b>	<b>1,901</b>	<b>8,400</b>

## Management Discussion and Analysis

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
28	Wuhan Starry Winking	Residential	90,700	1,585	17,500
29	Wuhan Starry Emperor	Residential	135,300	1,492	11,000
<b>Subtotal (Central China Region)</b>			<b>226,000</b>	<b>3,077</b>	<b>13,600</b>
30	Shenyang Yuexiu Hill Lake	Residential	1,700	14	8,200
31	Shenyang Starry Blue Sea	Residential	58,500	417	7,100
32	Yantai Starry Phoenix	Residential	17,400	120	6,900
33	Yantai Starry Golden Sands	Residential	71,400	383	5,400
34	Qingdao Starry Blue Bay	Residential	99,300	801	8,100
<b>Subtotal (Bohai Rim Economic Zone)</b>			<b>248,300</b>	<b>1,735</b>	<b>7,000</b>
35	Guangzhou Starry Winking Podium	Commercial	19,300	715	37,000
<b>Total</b>			<b>1,886,100</b>	<b>22,014</b>	<b>11,700</b>

## RECOGNIZED SALES

In 2014, the recognized sales revenue (including revenue from the sales of investment properties of RMB72 million) was approximately RMB14,883 million, increased by 10.2% comparing with the corresponding period of 2013, and recognized sales GFA (including the area of sold investment properties of 3,900 sq.m.) was approximately 1,184,400 sq.m., increased by 26.2% comparing with the corresponding period of 2013, and the average selling price was approximately RMB12,600 per sq.m.

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	6,300	202	32,100
2	Guangzhou Starry Winking	Residential/Parking	1,300	54	41,500
3	Guangzhou Starry Cullinan	Residential	300	20	66,700
4	Guangzhou Jiangnan New Mansion	Parking	600	19	31,700
5	Guangzhou Paradiso Garden	Residential	19,400	495	25,500
6	Guangzhou Paradiso Courtyard	Residential	6,800	146	21,500
7	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	52,400	1,224	23,400
8	Guangzhou Starry Golden Sands	Residential	9,300	147	15,800
9	Guangzhou Starry Wenhua	Residential	27,900	689	24,700
10	Guangzhou Starry Wenhan	Residential	13,900	305	21,900
11	Guangzhou Starry Wenyu	Residential	14,100	355	25,200
12	Guangzhou Paradiso Riverside	Residential	73,800	1,059	14,400
13	Guangzhou Paradiso Sunshine	Residential	80,100	951	11,900
14	Southern Le Sand	Residential	278,300	2,748	9,900
15	Guangzhou Lingna Hillside	Residential	118,200	2,199	18,600
16	Huadu Glade Greenland	Residential	2,300	17	7,400
17	Conghua Glade Village	Residential	2,100	32	15,200
	Other projects	N/A	26,900	280	10,400
	Investment Properties	N/A	3,900	72	18,500
	<b>Subtotal (Guangzhou)</b>		<b>737,900</b>	<b>11,014</b>	<b>14,700</b>
18	Jiangmen Starry Regal Court	Residential	87,700	735	8,400
19	Zhongshan Starry Winking	Residential	64,500	434	6,700
20	Zhongshan Starry Junting	Residential	25,600	228	8,900
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>177,800</b>	<b>1,397</b>	<b>7,900</b>
21	Hangzhou Starry City	Residential	122,600	637	5,200
22	Kunshan Paradiso Pavilion	Residential	46,300	410	8,900
	<b>Subtotal (Yangtze River Delta)</b>		<b>168,900</b>	<b>1,047</b>	<b>6,200</b>
23	Wuhan Starry Winking	Residential	82,100	1,303	15,900
	<b>Subtotal (Central China Region)</b>		<b>82,100</b>	<b>1,303</b>	<b>15,900</b>
24	Shenyang Yuexiu Hill Lake	Residential	3,900	31	7,900
25	Yantai Starry Phoenix	Residential	13,800	91	6,600
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>17,700</b>	<b>122</b>	<b>6,900</b>
	<b>Total</b>		<b>1,184,400</b>	<b>14,883</b>	<b>12,600</b>

# Management Discussion and Analysis

## UNRECOGNIZED SALES

As of 31 December 2014, the unrecognized sales value amounted to approximately RMB19,330 million, with unrecognized sales GFA of approximately 1,815,800 sq.m., and the average selling price was approximately RMB10,600 per sq.m. Of the unrecognized sales value, approximately RMB14,218 million is expected to be recognized in 2015.

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	5,900	197	33,400
2	Guangzhou Starry Winking	Residential/Parking	700	30	42,900
3	Guangzhou Starry Cullinan	Residential	3,300	191	57,900
4	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	17,500	376	21,500
5	Guangzhou Jiangnan New Mansion	Parking	500	14	28,000
6	Guangzhou Starry Golden Sands	Residential	95,200	1,705	17,900
7	Guangzhou Starry Wenhua	Residential	20,800	453	21,800
8	Guangzhou Starry Wenhan	Residential	900	19	21,100
9	Guangzhou Starry Wenyu	Residential	11,200	260	23,200
10	Guangzhou Paradiso Riverside	Residential	64,100	919	14,300
11	Guangzhou Paradiso Sunshine	Residential	4,800	55	11,500
12	Southern Le Sand	Residential	112,700	1,264	11,200
13	Guangzhou Lingnan Hillside	Residential	38,700	711	18,400
14	Guangzhou Lingnan Villas	Residential	65,300	860	13,200
15	Guangzhou Lingnan Wood	Residential	65,900	963	14,600
16	Huadu Glade Greenland	Residential	1,500	6	4,000
17	Conghua Glade Village	Residential	200	3	15,000
18	Conghua Glade Greenland	Residential	135,300	874	6,500
	Other projects	N/A	23,000	694	30,200
	<b>Subtotal (Guangzhou)</b>		<b>667,500</b>	<b>9,594</b>	<b>14,400</b>



No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/sq.m.)
19	Jiangmen Starry Regal Court	Residential	91,900	450	4,900
20	Zhongshan Starry Winking	Residential	28,500	158	5,500
21	Zhongshan Starry Junting	Residential/ Commercial	4,400	82	18,600
22	Zhongshan Starry Peakfield	Residential	38,600	298	7,700
23	Zhongshan Paradiso Jadin	Residential	58,900	301	5,100
24	Nanhai Starry Winking	Residential	16,900	265	15,700
25	Foshan Lingnan Junting	Residential	75,900	592	7,800
<b>Subtotal (Pearl River Delta ex Guangzhou)</b>			<b>315,100</b>	<b>2,146</b>	<b>6,800</b>
26	Hangzhou Starry City	Residential	81,500	482	5,900
27	Hangzhou Starry Joy City	Residential	28,200	314	11,100
28	Kunshan Paradiso Pavilion	Residential	167,100	1,365	8,200
<b>Subtotal (Yangtze River Delta)</b>			<b>276,800</b>	<b>2,161</b>	<b>7,800</b>
29	Wuhan Starry Winking	Residential	103,200	1,770	17,200
30	Wuhan Starry Emperor	Residential	137,600	1,516	11,000
<b>Subtotal (Central China Region)</b>			<b>240,800</b>	<b>3,286</b>	<b>13,600</b>
31	Shenyang Yuexiu Hill Lake	Residential	3,000	29	9,700
32	Shenyang Starry Blue Sea	Residential	78,800	568	7,200
33	Yantai Starry Phoenix	Residential	6,300	48	7,600
34	Yantai Starry Golden Sands	Residential	128,200	697	5,400
35	Qingdao Starry Blue Bay	Residential	99,300	801	8,100
<b>Subtotal (Bohai Rim Economic Zone)</b>			<b>315,600</b>	<b>2,143</b>	<b>6,800</b>
<b>Total</b>			<b>1,815,800</b>	<b>19,330</b>	<b>10,600</b>

# Management Discussion and Analysis

## LANDBANK

In 2014, the Group acquired two parcels of land with total GFA of approximately 834,300 sq.m. in Hangzhou and Guangzhou, respectively. The total consideration was approximately RMB7,451 million. The Hangzhou Yuhang Gudun Road Land was acquired through joint venture with investment fund, the attributable land premium of the Group was RMB6,547 million.

The land acquisitions in 2014 are summarized as follows:

No.	Project	Equity holding	Site area (sq.m.)	GFA (sq.m.)	Amount of Value (RMB million)
1	Hangzhou Starry Joy City	9.55%	57,300	185,400	1,000
2	Guangzhou Baiyun Tonghe Land	100%	147,700	648,900	6,451
<b>Total</b>			<b>205,000</b>	<b>834,300</b>	<b>7,451</b>

As of 31 December 2014, the landbank of the Group reached approximately 14.31 million sq.m. with a total of 33 projects in 12 cities in the PRC with an improved optimization in the balance among regions. In terms of the attributable interest, the Group's landbank was approximately 11.62 million sq.m. In terms of regional composition, Guangzhou accounted for approximately 39.2% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.4%, Bohai Rim Economic Zone accounted for approximately 14.3%, Yangtze River Delta accounted for approximately 18.5%, the Central China Region accounted for approximately 14.4%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%. In terms of usage, residential properties accounted for approximately 54.5%, commercial properties and others accounted for approximately 45.5%.

Landbank is summarized as follows:

No.	Project	Equity holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
1	Yuexiu Financial Tower	95%	211,500	211,500	—
2	Asia Pacific Century Plaza	95%	232,000	232,000	—
3	Guangzhou Haizhu Nanzhou Road Project	95.48%	152,600	—	152,600
4	Guangzhou Fortune Apartment	99.06%	7,900	7,900	—
5	Guangzhou Starry Golden Sands	100%	205,300	205,300	—
6	Southern Le Sand	95.48%	2,396,400	927,500	1,468,900
7	Guangzhou Lingnan Villas	95.48%	325,000	325,000	—
8	Guangzhou Lingnan Wood	47.74%	446,200	446,200	—
9	Yuexiu Poly Actel (formerly known as Guangzhou Luogang Yunpu Industrial Park Project)	4.77%	667,900	157,700	510,200
10	Conghua Glade Grassland	95.48%	189,300	189,300	—
11	Guangzhou Baiyun Tonghe Land	100%	648,900	—	648,900
	Other projects	N/A	114,400	69,300	45,100
<b>Subtotal (Guangzhou)</b>			<b>5,597,400</b>	<b>2,771,700</b>	<b>2,825,700</b>

No.	Project	Equity holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
12	Jiangmen Starry Regal Court	95%	250,100	190,800	59,300
13	Zhongshan Starry Winking	95%	161,700	161,700	—
14	Zhongshan Starry Peakfield	95%	329,700	113,000	216,700
15	Zhongshan Paradiso Jadin	100%	426,300	132,200	294,100
16	Nanhai Starry Winking	100%	290,700	290,700	—
17	Foshan Lingnan Junting	19%	314,900	298,700	16,200
<b>Subtotal (Pearl River Delta ex Guangzhou)</b>			<b>1,773,400</b>	<b>1,187,100</b>	<b>586,300</b>
18	Shenyang Yuexiu Hill Lake	99.95%	291,000	21,100	269,900
19	Shenyang Starry Winking	100%	519,900	175,500	344,400
20	Shenyang Starry Blue Sea	100%	181,300	172,700	8,600
21	Yantai Starry Golden Sands	100%	601,700	386,700	215,000
22	Qingdao Starry Blue Bay	100%	465,000	465,000	—
<b>Subtotal (Bohai Rim Economic Zone)</b>			<b>2,058,900</b>	<b>1,221,000</b>	<b>837,900</b>
23	Hangzhou Starry City	100%	1,718,300	447,700	1,270,600
24	Hangzhou Starry Upper City	100%	225,700	225,700	—
25	Hangzhou Victory Center	20%	71,900	71,900	—
26	Hangzhou Starry Joy City	9.55%	185,400	185,400	—
27	Kunshan Paradiso Pavilion	48.45%	452,000	452,000	—
<b>Subtotal (Yangtze River Delta)</b>			<b>2,653,300</b>	<b>1,382,700</b>	<b>1,270,600</b>
28	Wuhan Starry Winking	100%	553,900	553,900	—
29	Wuhan Starry Emperor	95.48%	603,800	603,800	—
30	Wuhan International Financial City (formerly known as Jiangnan Jingwu Road Project)	7.64%	890,500	83,900	806,600
<b>Subtotal (Central China Region)</b>			<b>2,048,200</b>	<b>1,241,600</b>	<b>806,600</b>
31	Hainan Simapo Island Project	47.50%	100,400	6,000	94,400
<b>Subtotal (PRC)</b>			<b>14,231,600</b>	<b>7,810,100</b>	<b>6,421,500</b>
32	Hong Kong Yau Tong Project	100%	70,500	—	70,500
33	Hong Kong Prince Edward Road Project	100%	4,000	4,000	—
<b>Subtotal (Hong Kong)</b>			<b>74,500</b>	<b>4,000</b>	<b>70,500</b>
<b>Total</b>			<b>14,306,100</b>	<b>7,814,100</b>	<b>6,492,000</b>

# Management Discussion and Analysis

## PROGRESS OF CONSTRUCTION

The Group always strives for high turnover and enhancing the development efficiency. Hangzhou Starry Joy City follows the high turnover strategy of "land acquisition, new construction starts and launching for sale in the same year", the development is speeded up. The scale of properties under development was enhanced in 2014, project development was progressing as scheduled in order to satisfy the sales growth, new construction starts, completion and delivery were in line with the Group's schedule.

New construction starts, completions and deliveries are summarized as follows:

<b>Construction Progress</b>	Actual GFA in 2013 (sq.m.)	<b>Actual GFA in 2014 (sq.m.)</b>	Planned GFA for 2015 (sq.m.)
PUD	7,723,800	<b>7,814,100</b>	6,928,200
New construction starts	3,828,200	<b>2,162,400</b>	1,933,300
Completion	1,614,700	<b>2,054,700</b>	2,819,200
Delivery	938,200	<b>1,203,700</b>	1,958,600

## INVESTMENT PROPERTIES

As of 31 December 2014, the Group owned investment properties under lease of approximately 595,900 sq.m. in total, of which offices, commercial properties, car park and others accounted for approximately 8.9%, 61.7% and 29.4%, respectively. The investment properties under construction were approximately 314,500 sq.m., mainly comprising Yuexiu Financial Tower (Formerly: Guangzhou Fortune Center) and the commercial portions of Nanhai Starry Winking. The Group recorded rental revenue of approximately RMB245 million in 2014, a decrease of 46.4% comparing with the corresponding period of 2013, mainly due to the adjustment of tenant structure in Guangzhou Fortune World Plaza.

In 2014, the Group recorded fair value gains on revaluation of investment properties of approximately RMB1,405 million, which was mainly attributable to fair value gains recorded by Yuexiu Financial Tower during the year.

## NET OTHER GAINS

During the year, the Group's net other gains were mainly from the disposal of indirect wholly-owned subsidiaries which held certain properties of Guangzhou Starry Winking and recorded profit on disposal (before tax) of approximately RMB449 million.

## SELLING AND MARKETING COSTS

During the year, the Group's selling and marketing costs increased by 32.2% to approximately RMB652 million as compared to previous year. The increase in selling and marketing costs was mainly due to more advertising and marketing efforts were placed in response to the market changes and more projects were launched as compared to previous year. The selling and marketing costs accounted for 3.0% of the contracted sales for the year, reduced by 0.4 percentage points as compared to 3.4% of previous year.

## ADMINISTRATIVE EXPENSES

The Group continued to strengthen controls over expenses and strictly followed the annual expenses budget. During the year, administrative expenses of the Group were approximately RMB840 million, increased by 2.9% as compared to previous year. It was mainly attributable to the increase in manpower costs. Administrative expenses accounted for 3.8% of the contracted sales, reduced by 1.8 percentage points as compared to 5.6% of previous year.

## FINANCE COSTS

During the year, the Group's interest expenses on borrowings (excluding the top-up payment liability) increased by 3.0% to approximately RMB1,533 million as compared to previous year. And the interest capitalization was approximately RMB1,133 million. The Group's average effective borrowing cost for the year was approximately 5.07% per annum (2013: 5.59% per annum).

## SHARE OF PROFIT FROM ASSOCIATED ENTITIES

During the year, overall share of net contribution from associated entities attributable to the Group increased by 81.1 % to approximately RMB360 million as compared to previous year. This was mainly contributed by the Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), in which the Group held an equity interest of 36.45%.

The total distribution by Yuexiu REIT for 2014 was increased by 10.7% to approximately RMB663 million as compared to previous year. As such, the Group's share of cash distribution amounted to approximately RMB242 million.

## BASIC EARNINGS PER SHARE

During the year, 3,077,015,931 new shares were issued by the Company on 22 October 2014 under the rights issue at the subscription price of HK\$1.25 per share on the basis of 33 rights shares for every 100 shares held on 25 September 2014.

For the year ended 31 December 2014, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to equity holders of the Company were RMB0.2329 (2013 adjusted: RMB0.2901).

## FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2014 of HK\$0.027 per share which is equivalent to RMB0.022 per share (2013: HK\$0.035 per share which was equivalent to RMB0.027 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 11 June 2015. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2015. Together with the interim dividend of HK\$0.049 per share which was equivalent to approximately RMB0.039 per share, total dividends for the year ended 31 December 2014 will amount to HK\$0.076 per share which is equivalent to approximately RMB0.061 per share.

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

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasis on funding management and risk control, establish an ongoing monitoring system to tackle the rapid market changes, ensure a healthy adequate liquidity and secure the business development. The Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channel at the same time, to optimize the capital structure and lower the funding costs, and to enhance its risk resistance capabilities.

For the year ended 31 December 2014, the Group completed bank financing of approximately RMB16,900 million, of which net increase in bank borrowing of approximately RMB6,400 million. In October 2014, the right issue of HK\$3,846 million was successfully completed with an over-subscription of 4.19 times. Meanwhile, through its medium term note programme, the Company further completed a private placement of HK\$2,300 million corporate notes in November 2014 on a term of 15 years, with the annual coupon rate at 6.1%. The sources of funding were diversified and overall debt maturity profile was also extended. Debt structure had been optimised, with funding cost continued to reduce. The Group's effective borrowing cost for the year was approximately 5.07% per annum, decreased by 0.52 percentage points as compared to approximately 5.59% per annum for the year of 2013. Borrowings with maturity within one year only accounted for approximately 26% of the total borrowings (2013: 35%), fixed notes accounted for approximately 22% of the total borrowings. The ratio of onshore to offshore borrowings was maintained at 42%:58%. The Group's overall financial position remained healthy and solid.

## WORKING CAPITAL

As at 31 December 2014, the Group's working capital (current assets less current liabilities) amounted to approximately RMB35,869 million (31 December 2013: approximately RMB26,326 million). The Group's current ratio (current assets over current liabilities) was 2.1 times (31 December 2013: 1.8 times). Cash and cash equivalents amounted to approximately RMB7,883 million (31 December 2013: RMB5,055 million). Charged bank deposits amounted to approximately RMB5,075 million (31 December 2013: RMB3,319 million). Undrawn bank facilities amounted to approximately RMB3,329 million.

## CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follow:

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Bank borrowings and notes		
Denominated in RMB	<b>13,787,880</b>	10,355,330
Denominated in Hong Kong dollars	<b>12,240,383</b>	7,357,686
Denominated in United States dollars	<b>6,030,900</b>	6,152,157
Total bank borrowings and bonds	<b>32,059,163</b>	23,865,173
Finance lease obligations	<b>138</b>	193
Overdrafts	<b>72</b>	86
Total debts	<b>32,059,373</b>	23,865,452
<b>Ageing analysis:</b>		
Within one year	<b>8,415,093</b>	8,330,549
In the second year	<b>7,195,990</b>	4,817,035
In the third to fifth year	<b>10,622,550</b>	7,020,496
Beyond five years	<b>5,825,740</b>	3,697,372
Total borrowings	<b>32,059,373</b>	23,865,452
Less: Cash and cash equivalents	<b>(7,882,648)</b>	(5,054,749)
Net borrowings	<b>24,176,725</b>	18,810,703
Total equity	<b>30,253,428</b>	25,160,008
Total capitalization	<b>54,430,153</b>	43,970,711
Gearing ratio	<b>44.4%</b>	42.8%

# Management Discussion and Analysis

## CAPITAL EXPENDITURES AND INVESTMENTS

During the year, the Group's capital expenditures on property, plant and equipment, construction in progress and investment properties amounted to approximately RMB456 million.

## INTEREST RATE EXPOSURE

The Group's major interest rate exposure relates to RMB, HK and US dollar borrowings and deposits. The Group currently has not made any arrangement for interest rate hedging instruments. Offshore interest rates pursue an upward trend this year while onshore interest rates are estimated to decline. The Group will closely monitor the interest rate fluctuation and manage its exposure with appropriate risk control management measures. The Group will adopt suitable actions and instruments to mitigate the interest rate risk at appropriate time, including arrangements for an appropriate amount of fixed-rate financing and interest rate hedging contracts. Meanwhile, the Group will continue to utilize onshore and offshore financing advantages for seeking more low interest borrowings.

## FOREIGN EXCHANGE EXPOSURE

Since business operations of the Group are mainly located in Mainland China, income and cash inflows are primarily in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings and interests. The Group currently has not made any arrangement for exchange rate hedging instruments. The Group will continue to closely monitor fluctuations in and the trend of RMB, evaluate the impact of changes in the exchange rate on the Group and will adopt suitable actions and instruments to manage the foreign exchange risk when appropriate, including an adjustment to the proportion of foreign currency financing, the adoption of an appropriate amount of foreign exchange hedging instruments and an increase in offshore RMB financing when the interest rate is acceptable.

## CAPITAL COMMITMENTS

As of 31 December 2014, the Group also had capital commitments in respect of purchases of property, plant and equipment amounted to approximately RMB1,684 million (31 December 2013: RMB911 million).

## CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group's properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee, and the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2014, total contingent liabilities relating to these guarantees amounted to approximately RMB6,492 million (31 December 2013: RMB2,781 million).

As at 31 December 2014, certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB3,290 million (31 December 2013: RMB3,680 million) in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.



## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 6,690 employees (31 December 2013: 6,050 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Promotion and salary adjustments are based on performance.

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

Certain loan agreements of the Company 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 Guangzhou Yue Xiu Holdings Limited, the ultimate controlling shareholder of the Company (as the case may be):

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

As at 31 December 2014, the aggregate balance of the loan agreements subject to the above conditions were HK\$11,820,000,000, RMB220,000,000 and US\$150,000,000. Such loan agreements will expire from 27 May 2015 to 17 June 2019.

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 US\$350 million 3.25 per cent. notes due 2018 and US\$500 million 4.50 per cent. notes due 2023 to investors under a US\$2,000 million medium term note programme established on 11 January 2013. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control 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 2014.

# Property Development

REGION		GFA (sq.m.)
● Guangzhou	39.1%	5,597,400
● Pearl River Delta (excluding Guangzhou)	12.4%	1,773,400
Zhongshan		917,700
Jiangmen		250,100
Foshan		605,600
● Bohai Rim	14.4%	2,058,900
Yantai		601,700
Shenyang		992,200
Qingdao		465,000
● Yangtze River Delta	18.6%	2,653,300
Hangzhou		2,201,300
Kunshan		452,000
● Central Region	14.3%	2,048,200
Wuhan		2,048,200
● Hainan	0.7%	100,400
Haikou		100,400
● Hong Kong	0.5%	74,500
TOTAL	100.0%	14,306,100

DEVELOPMENT STAGE	GFA (sq.m.)
Properties under development (PUD)	7,814,100
Properties for future development (PFD)	6,492,000





**Bohai Rim**

Shenyang  
Qingdao  
Yantai



**Central Region**

Wuhan



**Yangtze River Delta**

Hangzhou  
Kunshan



**Pearl River Delta & Hong Kong**

Guangzhou  
Jiangmen  
Zhongshan  
Foshan  
Hong Kong



**Hainan**

Haikou

Property Development

# GUANGDONG



1

2



4

1. Guangzhou Lingnan Wood
2. Guangzhou Starry Golden Sands
3. Guangzhou Starry Wenhua
4. Yuexiu Financial Tower
5. Nanhai Starry Winking
6. Foshan Lingnan Junting



## Property Development

# OUTSIDE GUANGDONG

1. Wuhan Starry Winking
2. Hangzhou Starry City
3. Hangzhou Starry Joy City
4. Hangzhou Victory Center
5. Qingdao Starry Blue Bay
6. Shenyang Yuexiu Hill Lake

1



2



4





3

5

6

5

6

# GUANGZHOU

## GUANGZHOU LINGNAN HILLSIDE

Guangzhou Lingnan Hillside (廣州嶺南山畔) is located at Luogang Science City in Guangzhou and comprises 13 blocks of high-rise apartments and a commercial center. Located at the junction of Kexiang Road and Kaichuang Avenue and adjacent to the Jinfeng Station of the Guangzhou Metro Line 6, which is under construction, this project enjoys convenient traffic and living facilities with supermarket, sports and leisure facilities. The project is mainly of Lingnan style and emphasizes the traditional heritage of courtyard space, forming the "gardens in a park and gardens within woods" landscape. Contracted sales value for 2014 was approximately RMB1.4 billion.



RESIDENTIAL PROJECT  
LAUNCH YEAR:2013



## GUANGZHOU LINGNAN WOOD

Guangzhou Lingnan Wood (廣州嶺南林語) lies to the south of Changling Road, Luogang, Guangzhou, and is planned to comprise 88 villas and 16 blocks of high-rise apartments which will be jointly developed by the Group and Guangdong Poly Property Development Limited. This project is surrounded by mountains on three sides and boasts a beautiful natural environment. Commercial streets, swimming pools, hospitals and schools are constructed to provide a good living atmosphere. The project is adjacent to Luogang Coach Station, the Xiangxue Station of the Guangzhou Metro Line 6 and the Changping Station of the Guangzhou Metro Line 21 which are under construction, all of which provide convenient traffic. The project is located in the Changlingju International Ecological Living District planned by the Guangzhou Municipal Government, with tremendous development potential.

RESIDENTIAL PROJECT  
GFA: 446,200 SQ.M.  
LAUNCH YEAR:2014





## GUANGZHOU LINGNAN VILLAS

Guangzhou Lingnan Villas (廣州嶺南雅築) lies to the south of Kaiyuan Avenue in Luogang, Guangzhou and enjoys convenient traffic, only 30 minutes' drive from Zhujiang New Town CBD. This project lies to the mountain to the east, south and north and is surrounded by a beautiful natural environment. It enjoys fresh air and a broad view, and represents a good place for living. This project is planned to comprise 15 blocks of apartments oriented towards rigid market demand. Commercial streets, kindergartens, swimming pools and tennis courts are also constructed to fully satisfy the living and leisure requirements of property owners.

RESIDENTIAL PROJECT  
GFA: 325,000 SQ.M.  
LAUNCH YEAR: 2013

## GUANGZHOU STARRY GOLDEN SANDS

Situated at Jinshazhou, Baiyun District, Guangzhou, Guangzhou Starry Golden Sands (廣州星匯金沙) is adjacent to Xunfenggang Station, which is the initial stop on Metro Line 6. Since the official opening of the Metro Line 6 at the end of 2013, the transportation network around the project has improved further, and the project has received more attention from the market. Contracted sales value for 2014 was approximately RMB1.7 billion. Comprising Western-style apartments and villas, the project is adjacent to the Xunfeng mountain in the north. The low-density green habitat community inside the project is next to a lake with a beautiful landscape. The project is rare of its kind at the heart of the city.



RESIDENTIAL PROJECT  
GFA: 205,300 SQ.M.  
LAUNCH YEAR: 2011

# GUANGZHOU

## GUANGZHOU STARRY WENHUA

Guangzhou Starry Wenhua (廣州星匯文華) is located within the Guangzhou Higher Education Mega Center, surrounded by 10 top universities and colleges and immersed in a cultural atmosphere. This project is facing the Pearl River and Lingnan Garden of Impression (嶺南印象園) on the south side and adjacent to the Higher Education Mega Center South Station of the Guangzhou Metro Line 4. The city center of Guangzhou is within a travelling distance of 15 minutes with a convenient traffic network. The latest phase "River Sketch" is the final masterpiece of our Group in the Higher Education Mega Center. It comprises three buildings with 15-16-storeys each with a greening rate of 60%, and each unit is allocated with 1.8 parking spaces, allowing users to enjoy a high-quality and private life in the Higher Education Mega Center.



RESIDENTIAL PROJECT  
LAUNCH YEAR:2011



## GUANGZHOU SOUTHERN LE SAND

Located in Nansha District, Guangzhou, Southern Le Sand (南沙濱海花園) is a matured large-scale development created by the Group after 10 years of refinement. It is a new marina zone integrating waterfront living, leisure, resort, investment and business, the development is constructed in 9 phases. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, and super 5-star hotels, etc. In 2014, the Nansha District was officially confirmed to be a key constituent of the Guangdong Free Trade Zone, creating favourable future prospects for Southern Le Sand. The properties of the latest phase received good market response throughout 2014, contracted sales value for the full year amounted to approximately RMB2 billion.

RESIDENTIAL PROJECT  
GFA: 2,396,400 SQ.M.



## GUANGZHOU STARRY CULLINAN

Located at Haiye Road, Zhujiang New Town, CBD in Guangzhou, Guangzhou Starry Cullinan (廣州星匯御府) is a 37-storey building. It has a total of 42 units, including 22 units with a GFA of over 300 sq.m. and 20 duplex units with a GFA of over 500 sq.m.. This project is located at the core area of the eastern part of Zhujiang New Town. Within its vicinity, there are living and entertainment facilities including the Zhujiang Park, world-class resort hotels, premium restaurants, large shopping malls and premium primary and middle schools. In order to meet the needs of high-end buyers, the project invited HBA, a leader in the premium global luxury hotel design industry, to build super-premium comfortable space and offer private clubs and rooftop swimming pools, making the project a new master piece of the Group's high-end residential property projects.

RESIDENTIAL PROJECT  
LAUNCH YEAR: 2014

## GUANGZHOU YUEXIU FINANCIAL TOWER

Yuexiu Financial Tower (越秀金融大廈) is located on the central axis of Zhujiang New Town of Guangzhou CBD and is positioned as an international grade-A office building. With a height of 310 meters and 68 storeys above ground, the whole project is expected to be completed in 2015. Yuexiu Financial Tower is another international grade-A office building developed by the Group after completion of Guangzhou International Finance Center. The construction, design and service management of this project, which are fully implemented in accordance with stringent international standards, highlight its international business image and high-end positioning and attract the attention of various premium tenants.



COMMERCIAL PROJECT  
GFA: 211,500 SQ.M.

# FOSHAN

## NANHAI STARRY WINKING

Nanhai Starry Winking (南海星匯雲錦) is located at the junction of the main roads, Nanhai Avenue and Nangui East Road, in Nanhai District of Foshan City and the junction of Guangzhou-Foshan Metro Line and Foshan Metro Line 3. It is a rare property in the city center of Foshan that situated on top of a metro station with two metro lines. This project will be developed into a landmark complex including high-end residential properties, serviced apartments, grade-A office buildings and top class commercial shopping malls, creating a modern urban universal living system and making it an incomparable fortune center along Nanhai Avenue. This project launched furnished apartments at the end of 2014, which received good market response,



RESIDENTIAL & COMMERCIAL PROJECT  
GFA: 290,700 SQ.M.  
LAUNCH YEAR: 2014

## FOSHAN LINGNAN JUNTING



RESIDENTIAL & COMMERCIAL PROJECT  
GFA: 314,900 SQ.M.  
LAUNCH YEAR: 2014

Foshan Lingnan Junting (佛山嶺南雋庭) is located at the junction of Tongji Avenue and Lingnan Road in Chancheng District in Foshan City, Guangdong Province. The project is situated in the city center of Foshan and within the area of the city central axis of Foshan, in close proximity to the Tongji Road and Pujun North Road stations of the Guangzhou-Foshan Metro Line. This project will be built into a large-scale Lingnan style complex including detached commercial complex, grade-A office building, Lingnan style residential properties, serviced apartments and commercial blocks. In 2014, the Group exercised the call option for the first time to repurchase 80% equity interest of Foshan Lingnan Junting from the investment fund, which demonstrated the unique advantages of the Group's partnership with investment fund.

# WUHAN



## WUHAN STARRY WINKING

Wuhan Starry Winking (武漢星匯雲錦) is located at the junction of Jinghan Avenue and Qiaokou Road in the Qiaokou District in Wuhan City, Hubei Province. The location is a core land plot of the "Han River Ecological Business Zone", which was planned by the Wuhan Municipal Government, linking seamlessly with the No. 1 Light Rail Line of Wuhan, and it takes about 5 minutes to travel to Wuchang district and Hanyang district. The project comprises a grade A office tower which is over 300 meters tall, a top class commercial shopping mall and a number of boutique high-end apartment blocks which are over 130 meters tall. It is set to become a large-scale city complex housing residential units, shopping mall, business units and entertainment facilities under one roof. In 2014, the project recorded total contracted sales value of approximately RMB1.6 billion.

RESIDENTIAL & COMMERCIAL PROJECT  
GFA: 553,900 SQ.M.

LAUNCH YEAR: 2012

## WUHAN INTERNATIONAL FINANCIAL CITY

Wuhan International Financial City (武漢國際金融匯) is located at the center of Wuhan City, Hubei Province, which is surrounded by Jiefang Avenue, Xinhua Road, Jingwu 4th Road, Jingwu East Road, Jiangnan North Road and Jingwu 1st Road. The business circle in which the project located is in the traditional commercial core zone of Wuhan, and is surrounded by premium office buildings and retail shopping mall complexes, creating a bustling business atmosphere. Meanwhile, it is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Metro Line No.2, and is also near Zhongshan Park and Sports Centre, with well-equipped facilities. It plans to construct a city complex mainly housing the commercial streets, luxury hotels, high-end office buildings and residential units, aiming to become a new landmark of premium properties in Wuhan.

RESIDENTIAL & COMMERCIAL PROJECT  
GFA: 890,500 SQ.M.

EXPECTED LAUNCH YEAR: 2015



# QINGDAO & SHENYANG

## QINGDAO STARRY BLUE BAY

Qingdao Starry Blue Bay (青島星匯藍灣) is located in the core transportation and business area of Licang District, Qingdao City, Shandong Province and enjoys significant geographical advantages and bright development prospect. To the west of the project is the mother bay of Qingdao City, Jiaozhou Bay. The project enjoys a frontline bayview with a beautiful environment and fresh air. The project is situated within a transportation hub area in Licang District and is close to Qingdao North Train Station as well as Qingdao Metro Line No.3 which is under construction. Meanwhile, with the successive completion of large city complexes and business headquarters around the project and tenant solicitation, ancillary facilities surrounding the project will be more developed gradually.



RESIDENTIAL PROJECT  
GFA: 465,000 SQ.M.  
LAUNCH YEAR:2014

## SHENYANG STARRY BLUE SEA



RESIDENTIAL PROJECT  
GFA: 181,300 SQ.M.  
LAUNCH YEAR:2013

Shenyang Starry Blue Sea (瀋陽星匯藍海) is located on the north side of Changbai 5th Road on Changbai Island in Heping District of Shenyang City, Liaoning Province. It connects with the main road, Shengli Avenue, to the east and has a green belt to the north, with a beautiful scenic view and a fresh surrounding environment. Changbai Island is a residential new town to be built as a key development in Shenyang, and is currently under the development stage, with improving peripheral facilities and enormous potential for future development. The project makes bold innovations in many aspects, including development concept, project planning, property design, view formation and ancillary services. And its concept of a "picturesque residential district" embodies thematic views of movie, music and leisure style to satisfy the urban living requirements of urban young property buyers.

# HANGZHOU



## HANGZHOU STARRY JOY CITY

Hangzhou Starry Joy City (杭州星匯悅城) is located in the Gudun Road, Yuhang District in Hangzhou City, Zhejiang Province, which is situated within the Hangzhou Ring Expressway, linking Yuhang District and the West Lake District and is close to the city center. The transportation of the project is convenient, it is located near the Gudun Road, which is a main road that connects directly to the city center. The project is also located near the Xinyue Road Station of Metro Line No.2, which is under construction, adding land appreciation potential to the project. The project designed with the lively and concise Hong Kong style, equipped with 40,000 sq.m. of the garden landscape, will be built into a comfortable living space with low carbon, ecological environment and full of vitality. In 2014, the project achieved the high turnover strategy of "land acquisition, new construction starts and launching for sale in the same year" with significant improvement in the development efficiency.

RESIDENTIAL PROJECT  
GFA: 185,400 SQ.M.  
LAUNCH YEAR:2014

## HANGZHOU VICTORY CENTER

Hangzhou Victory Center (杭州維多利中心) is located in the northern area of Phase One, Qianjiang New Town, Jianggan District in Hangzhou City, Zhejiang Province. The project was laid out alongside the river, specifically designed two blocks of 18-storey diamond-shaped towers along the Wentao Road, and four blocks of detached villa-style office buildings along the Zhijiang Road to meet the demand of different enterprises with different development stages. Qianjiang New Town is the rapidly growing new city center in Hangzhou, which will be developed into a central business district integrating office, finance, trading, information, commercial, convention & exhibition, tourism and residential functions. Hangzhou Victory Center, as a core commercial ancillary project of Qianjiang New Town, has enormous future growth potential.

COMMERCIAL PROJECT  
GFA: 71,900 SQ.M.  
EXPECTED LAUNCH YEAR:2015



# Corporate Social Responsibility Report

The Group takes the performance of social responsibilities as one of the fundamental principles of corporate development. In 2014, the Group has been driven to establish the corporate social responsibility management system, and completed the Social Responsibility Strategy Report and the Social Responsibility Risk Analysis and Evaluation Report, further incorporating corporate social responsibilities into corporate development strategies to implement the corporate mission of "contributing returns to shareholders, staff and society" which achieved more remarkable results.

## CHARITABLE AND VOLUNTEER ACTIVITIES

The Group actively participated in charitable activities such as supporting the poor. In 2014, the Group contributed a total amount of RMB8.34 million in donations to society, including the donation of RMB6 million to the seed fund of "Guangdong Yuexiu Group Charity Foundation" to better coordinate resources and perform charitable work in a more professional and regulated manner. The charity foundation has now implemented a number of projects in poverty alleviation, disaster relief and community building.

In 2014, the Group commenced poverty relief work smoothly in the poverty stricken area of Mashan Village, Baxiang Township, Fengshun County, Meizhou City, Guangdong Province, the assistance and relief to this area will continue until 2016. Moreover, the construction of the Daping Town Centre Primary School in the earthquake stricken area of Lushan County, Ya'an City, Sichuan Province in which the Group participated by providing assistance to its reconstruction had been completed. The Group, being a real estate development enterprise, provided not only pecuniary assistance in the reconstruction process, but also participated in the project at a deep level in key processes such as site assessment, selection of construction unit, design and pricing of the project, to complete the project with higher quality and efficiency.





The Group has actively encouraged employees to participate in volunteer activities, including blood donation at nil consideration, visiting children who need special care and helping families in difficulties. The Group has also organized community cultural and sports activities in its property projects and strives to build up happy communities.

## GREEN ENVIRONMENT PROTECTION

The Group strives to build habitable green homes based on the green development vision of “green structure makes room for harmony, low carbon brings good living”, and strongly promotes green building in the industry to lead the healthy development of the industry. In 2014, the Group joined hands with Guangdong Real Estate Association and Guangdong Environmental Protection Industry Association to organize the green architecture new perspective forum to urge peers in the industry to follow the concepts of low carbon, green, environmental protection and energy saving to achieve sustainable development. The Group has also issued the “Urban Office Environmental Health Survey and Research Report” to call on urban office workers paying more attention to the problems of a healthy office environment.

## STAFF HEALTH AND CARE

The Group attaches great importance to the occupational health of its staff. The Group has established the occupational disease prevention and control systems, enhanced the occupational health training, and improved the working environment of its staff, and the Group organizes staff to attend medical checks annually. The Group also effectively implemented a helping and assistance consolation system for staff in difficulties, which focused on entry-level employees in extreme difficulties and entry-level non-local employees.

The Group also held a wide variety of staff activities, such as sports day, football matches, Chinese medicine health care, birthday parties and outdoor exploring, which cultivated our staff in the importance of physical and mental health development and work-life balance.



# Investor Relations Report

The Group places great emphasis on maintaining good relationship with shareholders and investors. In 2014, the Group further enhanced its efforts on investor relations and was committed to establishing two-way communication channel with capital market in order to ensure the smooth and effective communication between the Group's management and shareholders and investors, thereby promoting the continuous development of the Group and bringing returns to shareholders and investors with better results.

## ESTABLISHING TWO-WAY COMMUNICATION CHANNEL WITH CAPITAL MARKET

The Group has been committed to establishing two-way communication channel with capital market. On one hand, the Group maintained timely and effective communication with investors and analysts, released and delivered important information about the Group's operations and development on a timely and accurately basis in various manners such as roadshows, large-scale investor conferences held by investment banks, one-on-one meetings, teleconferences as well as on-site visits in order to enable investors to gain in-depth understanding of the Group and establish a good market image.

On the other hand, the Group also put great efforts to provide feedback from capital market to the Board and middle and senior management members, reported research reports and media coverage on the Group as well as conducted benchmarking analysis on peers in order to enable management to have more understanding of feedback from capital market on the Group. Executive Directors and senior management of the Group also directly listened to opinions of shareholders and investors through attending general meetings, investor conferences and seminars held by investment banks. The Board also regularly listened to work reports on investor relations which covered information such as opinions on the Group's results by investors, forecasts on the industry and the Groups' results by analysts and stock price performance. Through above efforts, the Group provided reference for the Board and management to formulate future operation strategies.



## MAJOR INVESTOR RELATIONS ACTIVITIES

During the year under review, the Group carried out the following major shareholder and investor activities:

- Announcement of the interim and annual results and held press conferences and analyst and investor briefings
- Completion of preparation and publication of the interim report and annual report
- Directors had direct dialogue with shareholders and listened to opinions at the annual general meeting
- Investor conferences and roadshows were held to increase investors' understanding of the Group's strategy and the progress of business development, strengthen interactive communication with investors and enhance transparency
- Regular meetings were held with media and stock commentators to increase public awareness of the Group and positive and truthful coverage of the Group by media
- Enquiries were received through email and the investor hotline and responses were made in a timely manner
- Company information, including profile of directors and senior executives, operational and financial information, announcements and press releases and company updates etc., were published on the website of the Group in accordance with the Listing Rules



# Investor Relations Report

In 2014, the Group organized or attended a total of over 150 investor relations activities, and met with over 500 investors. The major activities are set out as follows:

Month	Venue	Activity
January	Hong Kong	Barclays China Property Day
March	Hong Kong	5th Annual Borrowers & Investors Forum, North Asia
March	Hong Kong	2013 Annual Results Press Conference and Analyst Briefing
March-April	Hong Kong, Singapore, Beijing, Shanghai	2013 Annual Results NDR
March	Hong Kong	Results Briefing to Stock Commentators
May	Hong Kong	Macquarie Greater China Conference
May	Hong Kong	DBSV Pulse of Asia Conference
May	Hong Kong	Morgan Stanley Fifth Annual HK Summit
May	Hong Kong	Barclays Asia Financial and Property Conference
May	Singapore	DB Access Asia Conference
May	Hong Kong	2014 Annual General Meeting
June	Beijing	JP Morgan Global China Summit
June	Hong Kong	Citi Asia Pacific Property Conference
June	Singapore	Credit Suisse China Property Corporate Day
August	Hong Kong	2014 Interim Results Press Conference and Analyst Briefing
August-September	Hong Kong, Singapore	2014 Interim Results NDR
September	Wuhan	Site visit for Stock Commentators
November	USA	Kim Eng InvestAsia Conference
November	Macau	Citi Greater China Investor Conference
November	Singapore	Morgan Stanley Annual Asia Pacific Summit
November	Hong Kong	Goldman Sachs Greater China CEO Summit
November	Shenzhen	Xingye Securities Annual Strategy Conference

## DEAL ROADSHOWS

In 2014, in order to support right issue, the Group organized a series of investor relations activities, including, among others, investor conference call, press conference and site visit for stock commentators in order to enable investors to gain more in-depth understanding of the purpose of right issue and operation and development strategies of the Group, which effectively facilitated the successful completion of the right issue. In order to facilitate the successful placement of HK\$2.3 billion 15-year bond, the Group also actively carried out investor relations activities, which effectively facilitated the diversification of the Group's financing channels and the reduction of the Group's financing costs.

# Awards and Recognitions

## “Corporate Governance Gold Award 2014”

The Asset Magazine

## “Outstanding Chinese Property Developers Award 2014”

Economic Digest

The Group's Annual Report For The Year of 2013 Was Awarded:

## “Galaxy Annual Reports Awards - Overall Presentation - Property Development Silver Winner”

MERCOMM,INC.

The Group's Annual Report For The Year of 2013 Was Awarded:

## “LACP Vision Award - Real Estate/REIT - Platinum Award”

## “LACP Vision Award - Real Estate/REIT - 7 of Top 50 Worldwide Rank”

## “LACP Vision Award - Real Estate/REIT - Best Agency Report”

## “LACP Vision Award - Business/Construction/Engineering Services - Platinum Award”

League of American Communications Professionals (LACP)

## “China Property Awards 2014 Winner - Best Residential Development (South China)”- Guangzhou Starry Cullinan

## “China Property Awards 2014 Highly Commended - Best Residential Development (South China)”- Guangzhou River Sketch

Sketch

Perspective Magazine · Ensign Media

## “The Most Influential Enterprise 2014”

Southern Metropolis Daily

## “Best Strategic Decision Making Award 2014”

China Business Journal

## “Influencing China - Most Credible Brands 2014”

Organizing Committee of China Business and Media Leaders Annual Conference

## “Excellent Enterprise in Building Energy Conservation In Guangdong”

Guangdong Building Energy Conservation Association

## “Top 10 Comprehensive Strengths of Real Estate Developers in Guangdong 2014”

Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association

## “Zhan Tianyou Civil Engineering Prize”- Guangzhou International Finance Center

## “Zhan Tianyou Civil Engineering Prize”- Guangzhou Fortune World Plaza, Guangzhou Lingnan Riverside

China Civil Engineering Society



# Directors' Profiles

## EXECUTIVE DIRECTORS

**Mr Zhang Zhaoxing**, aged 51, was appointed Chairman of the Company in July 2013. Mr Zhang has been an executive director of the Company since 2008. He had been Vice Chairman and General Manager of the Company. He is also chairman and a director of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu") and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") and chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"). He is also chairman and a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (Stock Code: 1111), the shares of the company mentioned above is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang had been chairman and an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport") (Stock Code: 1052). Mr Zhang holds an executive master of business administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Prior to joining Yue Xiu in 2008, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2152). Mr Zhang is a deputy of the 12th National People's Congress of the People's Republic of China.

**Mr Zhu Chunxiu**, aged 52, was appointed Vice Chairman and executive director of the Company in July 2013. Mr Zhu is also vice-chairman and general manager of Guangzhou Yue Xiu and Yue Xiu. He is also a non-executive director of YFHL and Chong Hing Bank, and chairman and an executive director of Yuexiu Transport. Prior to joining Yue Xiu in 2013, Mr Zhu was vice-chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the degree in executive master of business administration by Sun Yat-sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th session of the Guangzhou City People's Congress.

**Mr Tang Shouchun**, aged 52, was appointed executive director of the Company in 2006. Mr Tang is currently a deputy general manager of Guangzhou Yue Xiu and Yue Xiu, and is responsible for overseeing the Group's internal management, legal, development and assets disposal affairs. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a doctor degree in agricultural economics and management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. He has extensive experience in the financial management and capital operation of large enterprises.

**Mr Chen Zhihong**, aged 53, was appointed executive director of the Company in June 2011. Mr Chen has been General Manager since 2014. He had been the General Manager, Operations of the Company. Mr Chen holds a master of business administration degree of the South China University of Technology and the qualifications of economist and engineer in China. He joined Yue Xiu in January 2001 and has held management positions of deputy general manager and general manager of the corporate management department and general manager of the investment department. In January 2006, he was promoted as a deputy general manager of the Company and as a deputy managing director of Guangzhou City Construction & Development Co. Ltd. Prior to joining Yue Xiu, Mr Chen Zhihong worked for Guangzhou Paper Group for almost 20 years and had been engaged in the operational management of the enterprise and had been seconded to Restructuring Commission of Guangzhou Municipality (廣州市政府體制改革委員會) to participate in economic restructuring. He has extensive experience in the real estate industry and is familiar with the regulatory policies for the real estate industry in China.

**Mr Li Feng**, aged 46, was appointed executive director of the Company in March 2014. Mr Li is the assistant to general manager of, as well as general manager of the capital department of Guangzhou Yue Xiu and Yue Xiu, and a director of Guangzhou City Construction & Development Co. Ltd., mainly responsible for organizing and implementing Guangzhou Yue Xiu group's major capital operation plans and coordinating investor relations for Guangzhou Yue Xiu group's listed companies. He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)) and a non-executive director of Chong Hing Bank. 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. Mr Li joined Yue Xiu in December 2001 and has successively held positions including assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu group; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

**Mr Ou Junming**, aged 46, was appointed executive director of the Company in March 2014. Mr Ou is the chief financial officer of the Company, chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu, and a director of Guangzhou City Construction & Development Co. Ltd., as well as a non-executive director of YFHL. Mr Ou graduated from the Business School of Sun Yat-sen University majoring in accounting, and obtained a bachelor's degree in economics. He holds the qualifications of a Certified Public Accountant and Certified Appraiser in China, and the qualification of an International Certified Internal Auditor. Mr Ou joined Yue Xiu in November 2001 and has successively held various positions, including manager, assistant to general manager and deputy general manager of supervision and auditing department, and general manager of auditing department of Guangzhou Yue Xiu. Mr Ou has participated in the operational management of major capital operation projects of Guangzhou Yue Xiu group; he is familiar with internal control and financial management of listed companies, and has extensive experience in corporate finance and capital management. Prior to joining Yue Xiu, Mr Ou worked in the foreign auditing department of Guangdong Provincial Audit Office and Tin Wha Huayue Certified Public Accountants Guangdong (formerly known as "Huayue Certified Public Accountants Guangdong").

# Directors' Profiles

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr Yu Lup Fat Joseph**, aged 67, has been an independent non-executive director of the Company since 1992. 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 60, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116), REXLot Holdings Limited (Stock Code: 555) and MedicSkin Holdings Limited (effective 3 December 2014) (Stock Code: 8307). The shares of the companies mentioned above are listed on the Stock Exchange.

**Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau**, aged 67, 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 and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport (Stock Code: 1052), Joy City Property Limited (formerly known as "COFCO Land Holdings Limited") (Stock Code: 207), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited (formerly known as "Wing Hang Bank, Limited", which shares were delisted from the Stock Exchange on 16 October 2014), Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex 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).



# 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 2014, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term and separation of the role of Chairman and chief executive, details of which are explained below.

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

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

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

## THE BOARD

### Responsibilities

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

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

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

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

# Corporate Governance Report

## Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised six executive directors and three independent non-executive directors during the year ended 31 December 2014.

On 21 March 2014, Mr Li Feng and Mr Ou Junming were appointed as executive directors of the Company.

For a list of directors during the year ended 31 December 2014 and up to the date of this annual report, please refer to page 67 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.

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 2014, 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 had arranged tailor-made training programmes conducted by reputable international legal and audit firms and other professional bodies for the directors with an emphasis on latest development regarding the Listing Rules, other applicable legislative/regulatory compliance, information technology, financial risk management as well as the roles, functions and duties of a director of a listed company. According to the records maintained by the Company, the directors received trainings in the following areas:

<b>Directors</b>	<b>Corporate Governance/Updates on Laws, Rules &amp; Regulations</b>	
	<b>Read Materials</b>	<b>Attended Seminars/ Briefings</b>
<i>Executive Directors</i>		
Zhang Zhaoxing	√	√
Zhu Chunxiu	√	√
Tang Shouchun	√	√
Chen Zhihong	√	√
Li Feng (appointed with effect from 21 March 2014)	√	√
Ou Junming (appointed with effect from 21 March 2014)	√	√
<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 2014, the Board held 38 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

<b>Directors</b>	<b>Attendance/ Number of Board meetings</b>	<b>Written Resolutions</b>	<b>Annual General Meeting</b>
<i>Executive Directors</i>			
Zhang Zhaoxing	3/6	32/32	√
Zhu Chunxiu	4/6	32/32	√
Tang Shouchun	5/6	32/32	√
Chen Zhihong	6/6	32/32	√
Li Feng (appointed with effect from 21 March 2014)	3/5	27/27	√
Ou Junming (appointed with effect from 21 March 2014)	4/5	27/27	√
<i>Independent Non-Executive Directors</i>			
Yu Lup Fat Joseph	6/6	32/32	√
Lee Ka Lun	4/6	32/32	√
Lau Hon Chuen Ambrose	5/6	32/32	√

### *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 directors and officer liability insurances for its directors and officers.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The position of the Chairman is held by Mr Zhang Zhaoxing. On 21 March 2014, Mr Zhang Zhaoxing resigned as General Manager of the Company and thereafter Mr Chen Zhihong serves as General Manager of the Company.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. 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.

Code provision A.2.1 stipulates that the roles of chairman and chief executive (being general manager in the case of the Company) should be separated and should not be performed by the same individual. With effect from 31 July 2013, Mr Zhang Zhaoxing, General Manager of the Company, was appointed as Chairman of the Board of the Company upon the retirement of the then Chairman, Mr Lu Zhifeng.

With effect from 21 March 2014, Mr Chen Zhihong, an executive director of the Company, was appointed as General Manager of the Company. Mr Zhang Zhaoxing ceased to be General Manager but remains as Chairman and an executive director of the Company.

## **BOARD COMMITTEES**

The Board has established three committees, namely, the Remuneration Committee, the Audit 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.

In addition, the Board established an Executive Committee to approve the issuance of shares upon the exercise of share options granted under the share option scheme of the Company. The Executive Committee comprises three executive directors, and met 10 times during the year ended 31 December 2014.

# Corporate Governance Report

## 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 financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (b) 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.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2014 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:

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

## Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and two executive directors, namely Mr Zhang Zhaoxing and Mr Tang Shouchun. 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:

<b>Members</b>	<b>Meetings Attended</b>
<i>Independent Non-Executive Directors</i>	
Yu Lup Fat Joseph	1/1
Lee Ka Lun	1/1
Lau Hon Chuen Ambrose	1/1
<i>Executive Director</i>	
Zhang Zhaoxing (appointed as a member with effect from 21 March 2014)	N/A
Tang Shouchun	1/1

A resolution in writing was passed and one meeting was held in 2014 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 two executive directors and three 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.

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

<b>Members</b>	<b>Meetings Attended</b>
<i>Executive Directors</i>	
Zhang Zhaoxing	1/1
Zhu Chunxiu	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 2014 to review the structure, size and composition of the Board.

# Corporate Governance Report

## 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 2014.

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 also the company secretary of Yue Xiu, Yuexiu Transport and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2014, 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 2014.

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 2014 amounted to approximately RMB6,500,000 and RMB1,900,000 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, loss 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.

During the year under review, 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.

# Corporate Governance Report

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.

## CONSTITUTIONAL DOCUMENTS

During 2014, the Company adopted a new set of Articles of Association to bring them in line with the new Companies Ordinance as well as to modernise and update the Articles of Association, such adoption was approved by passing a special resolution proposed at the annual general meeting held on 29 May 2014. The new Articles of Association are available on the websites of the Company and the Stock Exchange.

# Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014.

## 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 165 to 176.

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 income statement on page 75.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2014:

	RMB' 000
Interim dividend of HK\$0.049 equivalent to approximately RMB0.039 per ordinary share paid on 5 November 2014	362,418
Proposed final dividend of HK\$0.027 equivalent to approximately RMB0.022 per ordinary share	267,508
	<u>629,926</u>

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2015 to Tuesday, 26 May 2015, 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 26 May 2015, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2015.

In addition, the register of members of the Company will be closed from Tuesday, 9 June 2015 to Thursday, 11 June 2015, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares 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, 8 June 2015.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 38 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB8.34 million.

# Report of the Directors

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 16 to the financial statements.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company during the year are set out in Note 36 to the financial statements.

## **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 SHARES**

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

## **INTEREST CAPITALISED**

During the year, interest capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,133 million (2013: RMB1,008 million).

## **DISTRIBUTABLE RESERVES**

As at 31 December 2014, the distributable reserves of the Company available for distribution amounted to RMB3,174 million (2013: RMB4,297 million).

## DIRECTORS

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

Mr Zhang Zhaoxing

Mr Zhu Chunxiu

Mr Tang Shouchun

Mr Chen Zhihong

Mr Li Feng

(appointed with effect from 21 March 2014)

Mr Ou Junming

(appointed with effect from 21 March 2014)

Mr Yu Lup Fat Joseph\*

Mr Lee Ka Lun\*

Mr Lau Hon Chuen Ambrose\*

\* *Independent non-executive directors*

The Directors' Profiles are set out on pages 52 to 54.

## ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Chen Zhihong, Yu Lup Fat Joseph and Lee Ka Lun retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, 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 of the Company 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.

## DIRECTOR'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any 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.

# Report of the Directors

## CONNECTED TRANSACTIONS

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

Date	Connected Party	Relationship with the Company	Nature of Transaction
22 January 2014 ("Announcement I")	廣州越秀仁達二號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.2 Business Investment Enterprise (Limited Partnership))	An associate of the ultimate holding company of the Company	Formation of joint venture in relation to the development of a parcel of land situated in Hangzhou City pursuant to the cooperation agreement dated 22 January 2014
29 October 2014 ("Announcement II")	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	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 HK\$300 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
29 December 2014 ("Announcement III")	廣州越秀諾成實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Nuocheng Business Investment Enterprise (Limited Partnership))	An associate of the ultimate holding company of the Company	Exercise of the call option for the acquisition of the joint venture partner's equity interest of the joint venture in relation to the development of a parcel of land situated in Foshan City, pursuant to the equity transfer agreement and the call option exercise agreement dated 29 December 2014

Announcement I, Announcement II and Announcement III were published on 22 January 2014, 29 October 2014 and 29 December 2014 respectively. The aggregate bank balances deposited by the Group with Chong Hing Bank ("Continuing Connected Transactions") amounted to approximately RMB11,490,000 as at 31 December 2014.

The Continuing Connected Transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the 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 Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 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 of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

Other related party transactions including rental expenses paid to and rental income received from related parties disclosed in notes 44(b)(I) and (V), and management fees paid to a related party disclosed in notes 44(b)(IV) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "de minimis transactions" pursuant to the Listing Rules. Administrative services fee received from a related party disclosed in note 44(b)(III) to the consolidated financial statements constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

## INTERESTS OF DIRECTORS

As at 31 December 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its 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 were as follows:

### The Company

#### Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	4,200,000	0.034
Mr Lau Hon Chuen Ambrose	Personal	4,841,200	0.039
Mr Chen Zhihong	Personal	764,698	0.006
Mr Li Feng	Personal	172,900	0.001

### 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 Lau Hon Chuen Ambrose	Personal	195,720	0.012
Mr Chen Zhihong	Personal	69,900	0.004

Save as disclosed herein, as at 31 December 2014, 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 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 for Securities Transactions by Directors of Listed Companies.

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

# Report of the Directors

## INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Note:

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

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

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



## SHARE OPTIONS

### The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme had expired in June 2012 (after which period no further options would be granted or accepted); and thereafter only those provisions of the 2002 Share Option Scheme which are required to give effect to the outstanding options will continue to remain in full force and effect for such purpose.

Movements during the year of the options granted under the share option scheme of the Company to the participants were as follows:

outstanding as at 1 January 2014	Number of share options		outstanding as at 31 December 2014	Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$
	exercised during the year	lapsed during the year					
2,507,144	(2,259,933)	(247,211)	0	0.607	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.56

Notes:

- (a) The options are exercisable in 3 tranches.
- (b) The weighted average closing price per share immediately before the dates on which the options were exercised.

## INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received HK\$290,000 as director's fees for the year ended 31 December 2014.

## 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.

# Report of the Directors

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

## **AUDITOR**

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

On behalf of the Board

**Zhang Zhaoxing**

*Chairman*

Hong Kong, 27 February 2015

# Independent Auditor's Report



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED**  
*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 75 to 176, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

# Independent Auditor's Report

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 February 2015

# Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 RMB' 000	2013 RMB' 000
Revenue	5	15,701,739	14,208,873
Cost of sales	6	(11,563,718)	(10,104,420)
Gross profit		4,138,021	4,104,453
Proceeds from sales of investment properties		72,358	364,150
Direct costs of investment properties sold		(49,626)	(288,233)
Gain on sales of investment properties	21	22,732	75,917
Fair value gains on revaluation of investment properties	17	1,404,596	1,974,765
Other gains, net	7	437,009	143,541
Selling and marketing costs	6	(651,974)	(493,283)
Administrative expenses	6	(840,109)	(816,662)
Operating profit		4,510,275	4,988,731
Finance income	8	57,278	44,081
Finance costs	9	(506,797)	(511,944)
Net foreign exchange (loss)/gain on financing activities		(7,525)	193,747
Share of (loss)/profit of			
– joint ventures	22	(10,793)	(3,857)
– associated entities	23	360,224	198,958
Profit before taxation		4,402,662	4,909,716
Taxation	10	(1,786,158)	(2,004,627)
Profit for the year	11	2,616,504	2,905,089
Attributable to			
Equity holders of the Company		2,471,255	2,880,343
Non-controlling interests		145,249	24,746
		2,616,504	2,905,089
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	12		Adjusted
– Basic		0.2329	0.2901
– Diluted		0.2329	0.2894
Dividends	13	629,926	619,594

The notes on pages 85 to 176 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Profit for the year	<b>2,616,504</b>	2,905,089
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	<b>7,066</b>	(50,994)
Change in fair value of available-for-sale financial assets, net of tax	<b>63,838</b>	(37,039)
Transfer of reserve to profit and loss upon disposal of non-current asset held-for-sale	—	(22,325)
Transfer of reserve to profit and loss upon disposal of subsidiaries	—	(6,101)
Other comprehensive income/(loss) for the year, net of tax	<b>70,904</b>	(116,459)
Total comprehensive income for the year	<b>2,687,408</b>	2,788,630
Attributable to:		
– Equity holders of the Company	<b>2,538,687</b>	2,765,902
– Non-controlling interests	<b>148,721</b>	22,728
	<b>2,687,408</b>	2,788,630

The notes on pages 85 to 176 form an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 RMB' 000	2013 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,286,323	1,023,079
Investment properties	17	12,614,339	10,219,375
Land use rights	18	255,043	265,901
Interests in joint ventures	22	1,287,803	1,164,939
Interests in associated entities	23	6,721,324	6,309,075
Available-for-sale financial assets	24	929,622	842,226
Deferred tax assets	39	152,400	130,067
		<b>23,246,854</b>	19,954,662
<b>Current assets</b>			
Properties under development	26	34,134,730	37,554,999
Properties held for sale	27	11,330,156	6,342,773
Prepayments for land use rights		9,324,805	3,634,670
Inventories	29	31,145	10,676
Derivative financial instruments	25	12,996	47,642
Trade receivables	30	24,440	16,013
Other receivables, prepayments and deposits		1,450,795	1,704,398
Taxation recoverable		562,089	430,582
Charged bank deposits	31	5,074,695	3,319,484
Cash and cash equivalents	32	7,882,648	5,054,749
		<b>69,828,499</b>	58,115,986
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	33	185,984	233,069
Advance receipts from customers		12,046,117	11,310,525
Other payables and accrued charges	34	10,950,353	9,257,473
Borrowings	35	8,415,093	8,330,549
Taxation payable		2,361,554	2,658,633
		<b>33,959,101</b>	31,790,249
<b>Net current assets</b>		<b>35,869,398</b>	26,325,737
<b>Total assets less current liabilities</b>		<b>59,116,252</b>	46,280,399

# Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 RMB' 000	2013 RMB' 000
<b>Non-current liabilities</b>			
Borrowings	35	23,644,280	15,534,903
Deferred tax liabilities	39	5,039,661	5,367,095
Deferred revenue		62,801	64,595
Other payables and accrued charges	34	116,082	153,798
		<b>28,862,824</b>	21,120,391
<b>Net assets</b>			
		<b>30,253,428</b>	25,160,008
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		—	854,089
Other statutory capital reserve		—	8,893,459
Share capital and other statutory capital reserves	36	12,759,402	9,747,548
Other reserves	38	464,592	396,726
Retained earnings			
– Proposed dividends	38	267,508	251,704
– Others	38	15,612,473	13,779,227
		<b>29,103,975</b>	24,175,205
Non-controlling interests		1,149,453	984,803
<b>Total equity</b>		<b>30,253,428</b>	25,160,008

On behalf of the Board

**Zhang Zhaoxing**

Director

**Zhu Chunxiu**

Director

The notes on pages 85 to 176 form an integral part of these consolidated financial statements.



# Balance Sheet

As at 31 December 2014

	Note	2014 RMB' 000	2013 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	8,656	10,177
Interests in subsidiaries	19	30,397,745	26,677,146
Interests in an associated entity	23	19,189	9,364
		<b>30,425,590</b>	26,696,687
<b>Current assets</b>			
Other receivables, prepayments and deposits		1,901	2,086
Dividend receivables		1,003,599	1,003,599
Charged bank deposits	31(b)	2,100,000	—
Cash and cash equivalents	32	1,322,190	575,429
		<b>4,427,690</b>	1,581,114
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to subsidiaries	19	52,288	48,588
Other payables and accrued charges	34	346,257	361,584
Borrowings	35	4,094,007	4,429,962
		<b>4,492,552</b>	4,840,134
<b>Net current liabilities</b>		<b>(64,862)</b>	(3,259,020)
<b>Total assets less current liabilities</b>		<b>30,360,728</b>	23,437,667
<b>Non-current liabilities</b>			
Other payables and accrued charges	34	116,082	105,228
Borrowings	35	14,311,066	9,287,731
		<b>14,427,148</b>	9,392,959
<b>Net assets</b>		<b>15,933,580</b>	14,044,708

# Balance Sheet

As at 31 December 2014

	Note	2014 RMB' 000	2013 RMB' 000
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		—	854,089
Other statutory capital reserve		—	8,893,459
Share capital and other statutory capital reserves	36	<b>12,759,402</b>	9,747,548
Other reserves	38	—	60
Retained earnings			
– Proposed dividends	38	<b>267,508</b>	251,704
– Others	38	<b>2,906,670</b>	4,045,396
<b>Total equity</b>		<b>15,933,580</b>	14,044,708

On behalf of the Board

**Zhang Zhaoxing**  
Director

**Zhu Chunxiu**  
Director

The notes on pages 85 to 176 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB' 000	2013 RMB' 000
<b>Operating profit</b>	<b>4,510,275</b>	4,988,731
<b>Adjustments for:</b>		
Depreciation and amortisation	73,069	58,826
Gain on disposal of subsidiaries	(449,414)	(59,810)
Loss/(gain) on disposal of property, plant and equipment and land use right	1,391	(40,190)
Reversal of provision for impairment of property, plant and equipment and properties under development	(23,839)	(14,531)
Gain on disposal of non-current asset held-for-sale	—	(36,089)
Gain on sales of investment properties	(22,732)	(75,917)
Fair value gains on revaluation of investment properties	(1,404,596)	(1,974,765)
Fair value loss/(gain) on derivative financial instruments	34,646	(47,642)
Decrease in deferred revenue	(1,794)	(1,794)
Gain on disposal of available-for-sale financial assets	(19,240)	—
Operating cash flows before movements in working capital	<b>2,697,766</b>	2,796,819
Increase in properties under development, properties held for sale and prepayments for land use rights	(7,251,557)	(6,291,811)
(Increase)/decrease in inventories	(20,469)	969
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	177,837	(28,712)
Increase in trade and note payables, other payables and accrued charges and advance receipts from customers	2,819,349	1,949,620
Movement in balances with related companies	67,339	(161,776)
Increase in amount due to non-controlling interests	192,230	59,186
Net exchange difference for working capital	(12,010)	126,727
<b>Net cash used in operations</b>	<b>(1,329,515)</b>	(1,548,978)
Interest received	57,278	44,081
Interest paid	(1,639,306)	(1,520,241)
Hong Kong profits tax paid	(3)	(1,010)
China taxation paid	(2,593,265)	(1,006,687)
<b>Net cash used in operating activities</b>	<b>(5,504,811)</b>	(4,032,835)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB' 000	2013 RMB' 000
<b>Investing activities</b>		
Additions of property, plant and equipment	(323,254)	(153,837)
Proceeds from sale of property, plant and equipment and land use right	—	76,152
Additions of investment properties	(132,340)	(332,229)
Net proceeds from sale of investment properties	68,509	364,150
Proceeds from sale of non-current asset held-for-sale	—	45,000
Proceeds from sale of available-for-sale financial assets	24,440	—
Disposal of subsidiaries	693,188	827,907
Dividends received from joint ventures and associated entities	233,822	199,635
Capital injection in a joint venture	—	(100,000)
Capital injection in associated entities	(41,093)	(164,000)
Payment to joint ventures and associated entities	(272,701)	(110,362)
Increase in charged bank deposits	(1,755,211)	(1,116,536)
<b>Net cash used in investing activities</b>	<b>(1,504,640)</b>	<b>(464,120)</b>
<b>Financing activities</b>		
Proceeds from issuance of ordinary shares	3,011,590	11,853
Capital contribution from non-controlling interests	18,700	—
Dividends paid to equity holders of the Company	(621,507)	(760,690)
Dividends paid to non-controlling interests	(2,771)	—
Increase/(decrease) in amount due to an intermediate holding company	526	(15,171)
Decrease in amounts due to joint ventures and associated entities	(319,533)	(540,482)
(Decrease)/increase in amounts due to related companies	(450,619)	70,553
Proceeds from bank borrowings	16,893,370	7,781,965
Repayment of bank borrowings	(10,515,687)	(9,166,288)
Proceeds from other borrowings	1,816,307	5,118,835
Repayment of other borrowings	(55)	(67)
<b>Net cash generated from financing activities</b>	<b>9,830,321</b>	<b>2,500,508</b>
Increase/(decrease) in cash and cash equivalents	<b>2,820,870</b>	<b>(1,996,447)</b>
Cash and cash equivalents at the beginning of year	<b>5,054,663</b>	<b>7,060,397</b>
Exchange gain/(loss) on cash and cash equivalents	<b>7,043</b>	<b>(9,287)</b>
Cash and cash equivalents at the end of year	<b>7,882,576</b>	<b>5,054,663</b>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>7,882,648</b>	<b>5,054,749</b>
Bank overdrafts	<b>(72)</b>	<b>(86)</b>
	<b>7,882,576</b>	<b>5,054,663</b>

The notes on pages 85 to 176 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company			Non-controlling interests RMB' 000	Total RMB' 000
	Share capital RMB' 000	Share premium RMB' 000	Reserves RMB' 000		
Balance at 1 January 2014	854,089	8,891,760	14,429,356	984,803	25,160,008
<b>Comprehensive income</b>					
Profit for the year	—	—	2,471,255	145,249	2,616,504
<b>Other comprehensive income</b>					
Currency translation differences	—	—	7,066	—	7,066
Change in fair value of available-for-sale financial assets, net of tax	—	—	60,366	3,472	63,838
Total other comprehensive income	—	—	67,432	3,472	70,904
<b>Total comprehensive income</b>	—	—	2,538,687	148,721	2,687,408
<b>Transactions with owners</b>					
Issue of shares upon exercise of share options prior to 3 March 2014	20	101	—	—	121
Transfer upon exercise of share options	235	29	(264)	—	—
Transition to no-par value regime on 3 March 2014	8,893,589	(8,891,890)	(1,699)	—	—
Issue of share upon exercise of share options subsequent to 3 March 2014	965	—	—	—	965
Issue of share upon rights issue	3,010,504	—	—	—	3,010,504
Dividends paid	—	—	(621,507)	(2,771)	(624,278)
Capital contribution by non-controlling interest	—	—	—	18,700	18,700
Total transactions with owners	11,905,313	(8,891,760)	(623,470)	15,929	2,406,012
At 31 December 2014	12,759,402	—	16,344,573	1,149,453	30,253,428

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company				Total RMB' 000
	Share capital	Share premium	Reserves	Non- controlling interests	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Balance at 1 January 2013	852,196	8,878,673	12,427,271	962,075	23,120,215
<b>Comprehensive income</b>					
Profit for the year	—	—	2,880,343	24,746	2,905,089
<b>Other comprehensive income</b>					
Currency translation differences	—	—	(50,994)	—	(50,994)
Change in fair value of available-for-sale financial assets, net of tax	—	—	(35,021)	(2,018)	(37,039)
Transfer of reserve to profit and loss upon disposal of non-current asset held-for-sale	—	—	(22,325)	—	(22,325)
Transfer of reserve to profit and loss upon disposal of subsidiaries	—	—	(6,101)	—	(6,101)
Total other comprehensive loss	—	—	(114,441)	(2,018)	(116,459)
<b>Total comprehensive income</b>	—	—	2,765,902	22,728	2,788,630
<b>Transactions with owners</b>					
Issue of shares upon exercise of share options	1,893	9,960	—	—	11,853
Transfer upon exercise of share options	—	3,127	(3,127)	—	—
Dividends paid	—	—	(760,690)	—	(760,690)
Total transactions with owners	1,893	13,087	(763,817)	—	(748,837)
At 31 December 2013	854,089	8,891,760	14,429,356	984,803	25,160,008

The notes on pages 85 to 176 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") and Singapore Exchange Securities Trading Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 February 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and available-for-sale financial assets, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

At 31 December 2014, the Company's current liabilities exceeded its current assets by approximately RMB65 million (31 December 2013: Net current liabilities of RMB3,259 million). This is mainly because certain bank borrowings of approximately RMB4,094 million will fall due within twelve months of the balance sheet date. The directors aim to renew these bank borrowings or to obtain additional banking facilities as usual in order to maintain the liquidity of the Group. In addition, the directors also believe that the Company will be able to obtain sufficient cash flows from other group companies to repay the bank borrowings, if necessary, upon the due dates. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks and the strong financial position of the Group, which enhance the Group's ability to renew the current bank borrowings upon expiry or to secure other adequate banking facilities and other source of financing activities. Based on the Company's cash flow projection, taking into account the above, the Company expects it has sufficient cash flows to meet its financial obligations as and when they fall due in the coming twelve months from the date of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

**(a) New, amended and revised standards adopted and relevant to the Group:**

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning on or after 1 January 2014 and relevant to the Group.

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units (CGUs) which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised.

**(b) Amendments to existing standards effective in 2014 but not currently relevant to the Group:**

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Novation of derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendments)	Investment Entities

The application of the adopted amended HKFRSs has had no material effect on the Group's results and financial position.

**(c) New Hong Kong Companies Ordinance (Cap. 622):**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(d) *New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:*

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture Bearer Plants	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions	1 July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKAS 28 and HKFRS 10 (Amendments)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2010-2012 cycle	Improvements to HKFRSs	1 July 2014
Annual improvements 2011-2013 cycle	Improvements to HKFRSs	1 July 2014
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation

#### (a) *Subsidiaries*

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

#### (b) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

#### (c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (d) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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.

#### (e) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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.

#### (f) *Associated entities*

Associated entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated entities includes goodwill identified on acquisition.

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

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

#### (f) *Associated entities (Continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated entities' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated entity are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses of interests in associated entities are recognised in the consolidated income statement.

#### (g) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 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.

### 2.4 Foreign currency translation

#### (a) *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.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'net foreign exchange (loss)/gain on financing activities'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets fair value reserve in equity.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Foreign currency translation (Continued)

#### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement 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
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

#### (d) *Disposal of foreign operation and partial disposal*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Property, plant and equipment

Buildings comprise mainly hotels and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25-50 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 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

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

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

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 income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8 Financial assets

#### 2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'charged bank deposits' in the balance sheet.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Financial assets (Continued)

#### *2.8.2 Recognition and measurement*

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

#### *2.8.3 Offsetting financial instruments*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Financial assets (Continued)

#### 2.8.4 Impairment of financial assets

##### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

Impairment testing of trade and other receivables is described in note 2.12.

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

##### (b) Available-for-sale financial assets

For equity investments a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

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

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

### 2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

Trade receivables are amounts due from customers for merchandise 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.

### 2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Trade and note payables

Trade and note payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and note payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and note payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

### 2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sales.

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

### 2.17 Share capital

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.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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.

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

Deferred income tax is recognised, 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, the deferred income tax is 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated entities and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated entities. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Employee benefits

#### (a) *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.

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting condition. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital.

#### (c) *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 it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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 their present value.

#### (d) *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.

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Provisions

Provisions 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 has been 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns rebates and discounts and after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (b) Operating lease rental income is recognised on a straight-line basis over the lease period.
- (c) Revenue from property management is recognised in the period in which the services are rendered.
- (d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.
- (f) Dividend income is recognised when the right to receive payment is established.
- (g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and no further performance obligations.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Revenue recognition (Continued)

- (h) When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

### 2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases including land use rights (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### 2.23 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 consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

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

### 2.24 Dividend distribution

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

# Notes to the Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

### 2.26 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Financial guarantees are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

### 2.27 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided by its subsidiaries as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow 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 RMB578 million (2013: RMB661 million) and bank borrowings of approximately RMB12,241 million (2013: RMB7,358 million) which were denominated in Hong Kong dollars ("HKD") and cash and bank balances of approximately RMB45 million (2013: RMB78 million) and bank borrowings of approximately RMB6,031 million (2013: RMB6,152 million) which were dominated in United States dollars ("USD") as at 31 December 2014. The Group will closely monitor the foreign exchange fluctuation and adopt alternative instruments to hedge foreign exchange exposure when appropriate.

At 31 December 2014, if RMB had strengthened/weakened by 3 percent against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB415 million higher/lower (2013: post-tax profit RMB323 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

##### (ii) Cash flow and fair value interest rate risk

At 31 December 2014, 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 RMB45 million lower/higher (2013: post-tax profit RMB49 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fixed notes accounted for approximately 22% of the total borrowings.

##### (iii) Price risk

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

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB63 million (2013: RMB57 million).

# Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in note 42.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

#### (c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 32) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	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
<b>Group</b>					
At 31 December 2014					
Borrowings (principal amount plus interest)	8,857,615	7,605,426	10,857,467	6,060,685	33,381,193
Trade and note payables	185,984	—	—	—	185,984
Other payables and accrued charges	10,556,841	84,500	37,622	—	10,678,963
At 31 December 2013					
Borrowings (principal amount plus interest)	9,061,221	5,326,646	7,914,188	4,281,667	26,583,722
Trade and note payables	233,069	—	—	—	233,069
Other payables and accrued charges	8,578,128	124,570	43,000	—	8,745,698
<b>Company</b>					
At 31 December 2014					
Borrowings (principal amount plus interest)	4,238,451	2,674,170	7,155,573	4,974,272	19,042,466
Amounts due to associated entities	46,479	—	—	—	46,479
Amounts due to subsidiaries	52,288	—	—	—	52,288
Other payables and accrued charges	293,738	84,500	37,622	—	415,860
At 31 December 2013					
Borrowings (principal amount plus interest)	4,815,444	3,334,515	3,962,009	3,623,083	15,735,051
Amounts due to associated entities	44,025	—	—	—	44,025
Amounts due to subsidiaries	48,588	—	—	—	48,588
Other payables and accrued charges	309,672	124,570	43,000	—	477,242

# Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

The gearing ratios at 31 December 2014 and 2013 were as follows:

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Total borrowings (note 35)	<b>32,059,373</b>	23,865,452
Less: Cash and cash equivalents (note 32)	<b>(7,882,648)</b>	(5,054,749)
Net debt	<b>24,176,725</b>	18,810,703
Total equity (including non-controlling interests)	<b>30,253,428</b>	25,160,008
Total capital	<b>54,430,153</b>	43,970,711
Gearing ratio	<b>44.4%</b>	42.8%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The increase in the gearing ratio during 2014 resulted primarily due to refinancing of certain indebtedness and general corporate purposes.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's certain financial instruments are measured in the balance sheet at fair value. The fair value measurement hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

For the Group's financial assets and liabilities that are carried at fair value, see note 24 for available-for-sale financial assets and note 25 for derivative financial instruments. For disclosures of the investment properties that are measured at fair value, see note 17.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	<b>Level 3 RMB' 000</b>
<b>Assets</b>	
Derivative financial instruments – call options	<b>12,996</b>
Available-for-sale financial assets	<b>929,622</b>
<b>Total assets</b>	<b>942,618</b>

# Notes to the Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 3 RMB' 000
<b>Assets</b>	
Derivative financial instruments – call options	47,642
Available-for-sale financial assets	842,226
<b>Total assets</b>	<b>889,868</b>

There were no changes in valuation techniques during the period.

There were no transfers between fair value hierarchy levels during the period.

#### *Fair value measurements using significant unobservable inputs (Level 3)*

	Available for sale financial assets RMB' 000	Derivative financial instruments – call options RMB' 000	Total RMB' 000
<b>31 December 2014</b>			
Opening balance at 1 January	842,226	47,642	889,868
Disposal	(5,200)	—	(5,200)
Unrealised fair value loss recognised in profit or loss	—	(34,646)	(34,646)
Unrealised fair value changes recognised in other comprehensive income	92,596	—	92,596
Closing balance at 31 December	<b>929,622</b>	<b>12,996</b>	<b>942,618</b>
<b>31 December 2013</b>			
Opening balance at 1 January	895,944	—	895,944
Unrealised fair value loss recognised in profit or loss	—	47,642	47,642
Unrealised fair value changes recognised in other comprehensive income	(53,718)	—	(53,718)
Closing balance at 31 December	<b>842,226</b>	<b>47,642</b>	<b>889,868</b>



### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### *Group's valuation processes*

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

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

The main Level 3 input used by the Group for top-up liability pertains to the discount rate. Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate of 4.2% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate, and is a reasonable approximation of its fair value. The adjustment is recognised in "finance costs".

The main Level 3 inputs used by the Group in estimating the call options derivatives are gross development value, time to maturity, interest rate, and expected volatility. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value based on schedules provided by management of the Group, follow the Geometric Brownian motion.

##### *Fair value of financial assets and liabilities*

The fair value of the following financial assets and liabilities approximate their carrying amount:

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

# Notes to the Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

### (a) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and land use rights have been determined based on the higher of their fair value less costs to sell and value-in-use, taking into account the latest market information and past experience.

### (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) 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 17.

### (d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 10.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (e) 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.

### (f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

### (g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

### (h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Details of fair value estimates on available-for-sale financial assets have been disclosed in note 24.

### (i) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group's management uses a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of fair value estimates on derivative financial instruments have been disclosed in note 25.

# Notes to the Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (j) Consolidation

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

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

## 5 SEGMENT INFORMATION

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

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

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

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Other	revenue from real estate agency and construction and building design consultancy services

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

Total assets excluded deferred tax assets, taxation recoverable 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 income statement.

	Property development RMB' 000	Property management RMB' 000	Property investment RMB' 000	Others RMB' 000	Group RMB' 000
<b>Year ended 31 December 2014</b>					
Revenue	14,811,011	478,338	250,017	1,106,035	16,645,401
Inter-segment revenue	—	(80,870)	(5,206)	(857,586)	(943,662)
Revenue from external customers	14,811,011	397,468	244,811	248,449	15,701,739
Segment results	2,676,262	13,585	1,498,865	20,692	4,209,404
Depreciation and amortisation	(58,757)	(440)	—	(13,872)	(73,069)
Fair value gains on revaluation of investment properties	—	—	1,404,596	—	1,404,596
Share of (loss)/profit of:					
– joint ventures	(10,793)	—	—	—	(10,793)
– associated entities	5,093	—	337,347	17,784	360,224

# Notes to the Financial Statements

## 5 SEGMENT INFORMATION (Continued)

	Property development RMB' 000	Property management RMB' 000	Property investment RMB' 000	Others RMB' 000	Group RMB' 000
Year ended 31 December 2013					
Revenue	13,145,199	425,605	463,872	850,446	14,885,122
Inter-segment revenue	—	(79,568)	(6,726)	(589,955)	(676,249)
Revenue from external customers	13,145,199	346,037	457,146	260,491	14,208,873
Segment results	2,704,039	11,948	2,270,974	4,435	4,991,396
Depreciation and amortisation	(42,448)	(480)	—	(15,898)	(58,826)
Fair value gains on revaluation of investment properties	—	—	1,974,765	—	1,974,765
Share of (loss)/profit of:					
– joint ventures	(3,857)	—	—	—	(3,857)
– associated entities	(11,266)	—	187,040	23,184	198,958
	<b>Property development RMB' 000</b>	<b>Property management RMB' 000</b>	<b>Property investment RMB' 000</b>	<b>Others RMB' 000</b>	<b>Group RMB' 000</b>
<b>As at 31 December 2014</b>					
Segment assets	<b>67,439,095</b>	<b>455,924</b>	<b>12,614,339</b>	<b>390,443</b>	<b>80,899,801</b>
Interests in joint ventures	<b>1,287,803</b>	—	—	—	<b>1,287,803</b>
Interests in associated entities	<b>534,007</b>	—	<b>6,054,786</b>	<b>132,531</b>	<b>6,721,324</b>
Total reportable segments' assets	<b>69,260,905</b>	<b>455,924</b>	<b>18,669,125</b>	<b>522,974</b>	<b>88,908,928</b>
Total reportable segments' assets include:					
Additions to non-current assets (note)	<b>320,889</b>	<b>2,123</b>	<b>132,340</b>	<b>242</b>	<b>455,594</b>
As at 31 December 2013					
Segment assets	58,456,305	435,884	10,219,375	336,729	69,448,293
Interests in joint ventures	1,164,939	—	—	—	1,164,939
Interests in associated entities	330,031	—	5,849,822	129,222	6,309,075
Total reportable segments' assets	59,951,275	435,884	16,069,197	465,951	76,922,307
Total reportable segments' assets include:					
Additions to non-current assets (note)	152,746	787	332,229	304	486,066

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

## 5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2014 RMB' 000	2013 RMB' 000
Segment results	4,209,404	4,991,396
Unallocated operating costs (note)	(136,138)	(146,206)
Other gains	437,009	143,541
Operating profit	4,510,275	4,988,731
Finance income	57,278	44,081
Finance costs	(506,797)	(511,944)
Net foreign exchange (loss)/gain on financing activities	(7,525)	193,747
Share of (loss)/profit of:		
– joint ventures	(10,793)	(3,857)
– associated entities	360,224	198,958
Profit before taxation	4,402,662	4,909,716

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

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

	As at 31 December	
	2014 RMB' 000	2013 RMB' 000
Total reportable segments' assets	88,908,928	76,922,307
Deferred tax assets	152,400	130,067
Taxation recoverable	562,089	430,582
Corporate assets	3,451,936	587,692
Total assets	93,075,353	78,070,648

# Notes to the Financial Statements

## 5 SEGMENT INFORMATION (Continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2014	2013	2014	2013
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Hong Kong	<b>116,551</b>	113,123	<b>2,361,614</b>	2,231,176
China	<b>15,585,188</b>	14,094,704	<b>86,539,475</b>	74,682,844
Overseas	—	1,046	<b>7,839</b>	8,287
	<b>15,701,739</b>	14,208,873	<b>88,908,928</b>	76,922,307
Unallocated assets			<b>4,166,425</b>	1,148,341
			<b>93,075,353</b>	78,070,648

As at 31 December 2014, total non-current assets other than financial instruments and deferred income tax assets located in China is RMB21,175 million (2013: RMB18,030 million), the total of these non-current assets located in Hong Kong is RMB990 million (2013: RMB952 million).

For the years ended 31 December 2014 and 2013, the Group does not have any single customer with the transaction value over 10% of the total external sales.



## 6 EXPENSES BY NATURE

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

	2014 RMB' 000	2013 RMB' 000
Advertising and promotion expenses	553,364	420,775
Business tax and other levies	993,342	922,096
Cost of properties sold included in cost of sales	9,917,073	8,632,902
Cost of inventories included in cost of sales	30,501	44,877
Direct operating expenses arising from investment properties		
– that generate rental income	106,868	112,535
– that did not generate rental income	322	339
Depreciation		
– Owned property, plant and equipment	62,147	46,284
– Leased property, plant and equipment	64	85
Reversal of provision for impairment of property, plant and equipment (note 16)	(2,647)	(14,531)
Amortisation of land use rights (note 18)	10,858	12,457
Operating leases - Land and buildings	85,459	74,185
Auditor's remuneration	6,500	6,500
Employee benefit expenses (note 14)	938,840	848,686
Reversal of impairment of properties under development	(21,192)	(26,653)

## 7 OTHER GAINS, NET

	2014 RMB' 000	2013 RMB' 000
Gain on disposal of subsidiaries (note 20)	449,414	59,810
Gain on disposal of non-current asset held-for-sale	—	36,089
Fair value (loss)/gain on derivative financial instruments	(34,646)	47,642
Disposal gain of available-for-sale financial assets	19,240	—
Others	3,001	—
	<b>437,009</b>	143,541

## 8 FINANCE INCOME

	2014 RMB' 000	2013 RMB' 000
Interest income from bank deposits	57,278	44,081

# Notes to the Financial Statements

## 9 FINANCE COSTS

	2014 RMB' 000	2013 RMB' 000
Interest on bank borrowings and overdrafts wholly repayable within five years	<b>1,138,546</b>	1,153,341
Interest on bank borrowings wholly repayable over five years	<b>109,772</b>	47,826
Interest on borrowings from related companies wholly repayable within five years	<b>65,970</b>	87,819
Interest on other borrowings wholly repayable within five years	<b>69,865</b>	66,496
Interest on other borrowings wholly repayable over five years	<b>148,995</b>	132,153
Interest expense from top-up payment liability repayable within five years	<b>6,711</b>	16,794
Fair value loss on top-up payment liability repayable within five years	<b>99,447</b>	15,812
Total borrowing costs incurred	<b>1,639,306</b>	1,520,241
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note)	<b>(1,132,509)</b>	(1,008,297)
	<b>506,797</b>	511,944

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2014 was approximately 5.54 percent per annum (2013: 5.74 percent per annum).

## 10 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2013: 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 (2013: 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 (2013: 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 income statement comprises:

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Current taxation		
Hong Kong profits tax	<b>5,769</b>	11,004
China enterprise income tax	<b>437,873</b>	746,351
China land appreciation tax	<b>1,681,596</b>	428,690
Over-provision in prior years	<b>(484)</b>	(45,238)
Deferred taxation		
Origination and reversal of temporary difference	<b>617,403</b>	1,774,838
China land appreciation tax	<b>(1,170,456)</b>	(1,096,348)
Corporate withholding income tax on undistributed profits	<b>214,457</b>	185,330
	<b>1,786,158</b>	2,004,627

# Notes to the Financial Statements

## 10 TAXATION (Continued)

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

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Profit before taxation less share of profits and losses of associated entities and joint ventures	<b>4,053,231</b>	4,714,615
Calculated at China enterprise income tax rate of 25 percent (2013: 25 percent)	<b>1,013,308</b>	1,178,654
Effect of different taxation rates	<b>31,224</b>	14,205
Income not subject to taxation	<b>(37,614)</b>	(37,583)
Expenses not deductible for taxation purposes	<b>102,030</b>	97,833
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	<b>53,159</b>	31,818
Over-provision in prior years	<b>(484)</b>	(45,238)
Effect of land appreciation tax deductible for calculation of income tax purposes	<b>(136,693)</b>	(193,203)
Corporate withholding income tax	<b>214,457</b>	185,330
	<b>1,239,387</b>	1,231,816
Land appreciation tax	<b>546,771</b>	772,811
Taxation charges	<b>1,786,158</b>	2,004,627

## 11 LOSS FOR THE YEAR

The loss for the year is dealt with in the financial statements of the Company to the extent of approximately RMB501 million (2013: loss for the year of RMB437 million).

## 12 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.

	<b>2014</b>	2013 Adjusted
Profit attributable to equity holders of the Company (RMB' 000)	<b>2,471,255</b>	2,880,343
Weighted average number of ordinary shares in issue ('000)	<b>10,610,052</b>	9,928,727
Basic earnings per share (RMB)	<b>0.2329</b>	0.2901

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	<b>2014</b>	2013 Adjusted
Profit attributable to equity holders of the Company (RMB' 000)	<b>2,471,255</b>	2,880,343
Weighted average number of ordinary shares in issue (' 000)	<b>10,610,052</b>	9,928,727
Adjustments for share options (' 000)	—	23,362
Weighted average number of ordinary shares for diluted earnings per share (' 000)	<b>10,610,052</b>	9,952,089
Diluted earnings per share (RMB)	<b>0.2329</b>	0.2894

The earning per share for the year ended 31 December 2013 has been adjusted to reflect the effect of rights issue of the Company during the year.

# Notes to the Financial Statements

## 13 DIVIDENDS

The dividends paid in 2014 was approximately RMB622 million (2013: RMB761 million). The directors proposed a final dividend of HK\$0.027 per ordinary share, totaling approximately RMB 268 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 26 May 2015. These financial statements do not reflect this dividend payable.

	2014 RMB' 000	2013 RMB' 000
Interim, paid, of HK\$0.049 (2013: HK\$0.049 equivalent to RMB0.039) per ordinary share	362,418	360,505
Final, proposed, of HK\$0.027 (2013: HK\$0.035 equivalent to RMB0.027) per ordinary share	267,508	259,089
	<b>629,926</b>	619,594

## 14 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 RMB' 000	2013 RMB' 000
Wages, salaries and bonus	714,274	660,221
Pension costs (defined contribution plans)	58,418	43,200
Medical benefits costs (defined contribution plans)	22,706	16,719
Social security costs	77,385	58,296
Termination benefits	666	335
Staff welfare	65,391	69,915
	<b>938,840</b>	848,686

### 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 HK\$1,500 (before 1 Jun 2014: HK\$1,250) 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.

## 15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The remuneration of every director received from the Company for the year ended 31 December 2014 is set out below:

Name of Director	Discretionary				Total RMB' 000
	Fees RMB' 000	Salaries RMB' 000	bonuses RMB' 000	Pension costs RMB' 000	
ZHANG Zhaoxing	—	1,540	7,528	104	9,172
ZHU Chunxiu (note (ii))	—	1,540	2,886	43	4,469
CHEN Zhihong	—	1,410	6,140	72	7,622
TANG Shouchun	—	1,224	1,841	93	3,158
LI Feng (note (iv))	—	918	2,186	54	3,158
OU Junming (note (iv))	—	918	2,186	54	3,158
LEE Ka Lun	230	—	—	—	230
YU Lup Fat Joseph	230	—	—	—	230
LAU Hon Chuen Ambrose	230	—	—	—	230
<b>Total</b>	<b>690</b>	<b>7,550</b>	<b>22,767</b>	<b>420</b>	<b>31,427</b>

- (b) The remuneration of every director received from the Company for the year ended 31 December 2013 is set out below:

Name of Director	Discretionary				Total RMB' 000
	Fees RMB' 000	Salaries RMB' 000	bonuses RMB' 000	Pension costs RMB' 000	
LU Zhifeng (note (i))	—	1,071	7,353	54	8,478
ZHANG Zhaoxing	—	1,421	13,678	99	15,198
ZHU Chunxiu (note (ii))	—	669	7,512	—	8,181
TANG Shouchun	—	1,718	12,136	120	13,974
CHEN Zhihong	—	2,699	10,693	—	13,392
LAM Yau Fung Curt (note (iii))	—	1,825	—	12	1,837
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose	180	—	—	—	180
<b>Total</b>	<b>540</b>	<b>9,403</b>	<b>51,372</b>	<b>285</b>	<b>61,600</b>

- (i) Resigned on 31 July 2013
- (ii) Appointed on 31 July 2013
- (iii) Resigned on 31 December 2013
- (iv) Appointed on 21 March 2014

# Notes to the Financial Statements

## 15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

No directors waived emoluments in respect of the years ended 31 December 2014 and 2013. 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 years ended 31 December 2014 and 2013 are also directors whose emoluments are reflected in the analysis presented above.

## 16 PROPERTY, PLANT AND EQUIPMENT

### (a) Group

	Land RMB' 000 (note)	Buildings RMB' 000	Construction in progress RMB' 000	Leasehold improvements, furniture, fixtures and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
At 1 January 2013						
Cost	421,438	541,279	150,633	119,331	82,809	1,315,490
Accumulated depreciation and impairment	(165,325)	(258,885)	—	(70,623)	(57,093)	(551,926)
Net book amount	256,113	282,394	150,633	48,708	25,716	763,564
Year ended 31 December 2013						
Opening net book amount	256,113	282,394	150,633	48,708	25,716	763,564
Exchange differences	(8,046)	(3,687)	—	(700)	(11)	(12,444)
Additions	—	11,218	123,476	11,605	7,538	153,837
Disposals	—	(20,459)	—	(1,441)	(656)	(22,556)
Disposal of subsidiaries (note 20)	—	—	—	(15)	—	(15)
Depreciation	(2,652)	(24,030)	—	(12,112)	(7,575)	(46,369)
Reversal of impairment	—	14,531	—	—	—	14,531
Transfer to investment properties (note 17)	—	(1,295)	—	—	—	(1,295)
Transfer from properties under development	—	—	173,826	—	—	173,826
Closing net book amount	245,415	258,672	447,935	46,045	25,012	1,023,079
At 31 December 2013						
Cost	408,419	520,618	447,935	128,102	85,142	1,590,216
Accumulated depreciation and impairment	(163,004)	(261,946)	—	(82,057)	(60,130)	(567,137)
Net book amount	245,415	258,672	447,935	46,045	25,012	1,023,079



## 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Group (Continued)

	Land RMB' 000 (note)	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 2014						
Opening net book amount	245,415	258,672	447,935	46,045	25,012	1,023,079
Exchange differences	926	325	—	(307)	1	945
Additions	—	4,273	304,664	12,860	1,457	323,254
Disposals	—	(557)	—	(235)	(599)	(1,391)
Depreciation	(18,816)	(23,157)	—	(13,412)	(6,826)	(62,211)
Reversal of impairment	—	2,647	—	—	—	2,647
Closing net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323
At 31 December 2014						
Cost	409,660	526,938	752,599	139,038	83,556	1,911,791
Accumulated depreciation and impairment	(182,135)	(284,735)	—	(94,087)	(64,511)	(625,468)
Net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323

Note: All the land of the Group are located in Hong Kong with lease terms under 50 years.

Property, plant and equipment of the Group with an aggregate carrying amount of RMB883 million (2013: RMB857 million) were pledged as collateral for the Group's bank borrowings (note 43).

# Notes to the Financial Statements

## 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Company

	Land and buildings RMB' 000	Leasehold improvements, furniture, fixtures and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
At 1 January 2013				
Cost	13,747	3,068	9,587	26,402
Accumulated depreciation	(6,531)	(1,919)	(7,910)	(16,360)
Net book amount	7,216	1,149	1,677	10,042
Year ended 31 December 2013				
Opening net book amount	7,216	1,149	1,677	10,042
Additions	—	295	1,342	1,637
Depreciation	(261)	(477)	(764)	(1,502)
Closing net book amount	6,955	967	2,255	10,177
At 31 December 2013				
Cost	13,747	3,119	10,486	27,352
Accumulated depreciation	(6,792)	(2,152)	(8,231)	(17,175)
Net book amount	6,955	967	2,255	10,177
Year ended 31 December 2014				
Opening net book amount	<b>6,955</b>	<b>967</b>	<b>2,255</b>	<b>10,177</b>
Additions	—	<b>159</b>	—	<b>159</b>
Disposal	—	<b>(11)</b>	—	<b>(11)</b>
Depreciation	<b>(259)</b>	<b>(423)</b>	<b>(987)</b>	<b>(1,669)</b>
Closing net book amount	<b>6,696</b>	<b>692</b>	<b>1,268</b>	<b>8,656</b>
At 31 December 2014				
Cost	<b>13,747</b>	<b>3,131</b>	<b>10,486</b>	<b>27,364</b>
Accumulated depreciation	<b>(7,051)</b>	<b>(2,439)</b>	<b>(9,218)</b>	<b>(18,708)</b>
Net book amount	<b>6,696</b>	<b>692</b>	<b>1,268</b>	<b>8,656</b>

## 17 INVESTMENT PROPERTIES

	Group			Total RMB' 000
	Completed investment properties		Investment properties under development	
	China RMB' 000	Hong Kong RMB' 000	China RMB' 000	
Opening balance at 1 January 2014	7,076,920	640,455	2,502,000	10,219,375
Exchange differences	—	(331)	—	(331)
Additions	6,874	—	125,466	132,340
Disposals	(45,777)	—	—	(45,777)
Transfer from properties under development	—	—	2,492,136	2,492,136
Transfer to properties under development	—	—	(1,588,000)	(1,588,000)
Fair value gains (note)	(160,907)	46,105	1,519,398	1,404,596
Closing balance at 31 December 2014	<b>6,877,110</b>	<b>686,229</b>	<b>5,051,000</b>	<b>12,614,339</b>
Opening balance at 1 January 2013	3,528,230	616,211	2,041,000	6,185,441
Exchange differences	—	(19,668)	—	(19,668)
Additions	11,232	6,072	314,925	332,229
Transfer from property, plant and equipment (note 16)	—	1,295	—	1,295
Disposals	(228,398)	—	—	(228,398)
Transfer from properties under development	2,056,111	—	—	2,056,111
Disposal of subsidiaries	(82,400)	—	—	(82,400)
Fair value gains	1,792,145	36,545	146,075	1,974,765
Closing balance at 31 December 2013	7,076,920	640,455	2,502,000	10,219,375

Note: The fair value gains of approximately RMB1,405 million (2013: RMB1,975 million) are included in profit or loss that are attributable to unrealised gains or loss for assets held at the end of the year.

# Notes to the Financial Statements

## 17 INVESTMENT PROPERTIES (Continued)

### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Greater China Appraisals Limited ("GCAL"), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2014. For all investment properties, their current use equates to the highest and best use.

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

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.

### Valuation techniques

#### *Fair value measurements using significant other observable inputs*

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

Fair values of investment properties under development in China are generally derived using the residual method. This valuation method is essentially a means of valuing the investment property under construction by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

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

As at 31 December 2014, all investment properties are included in level 3 fair value hierarchy.

## 17 INVESTMENT PROPERTIES (Continued)

### Significant inputs used to determine fair value

Description	Fair value at 31 December 2014	Valuation technique	Unobservable inputs		Range of unobservable inputs	
	(RMB' 000)		(1)	(2)	(1)	(2)
Investment properties under construction in the PRC	5,051,000	Residual method	(1)	Market prices	(1)	RMB9,600/sm to RMB35,000/sm
			(2)	Developer's profit	(2)	RMB60,000,000 to RMB492,000,000
			(3)	Risk margin	(3)	5.6% to 6.0%
Completed investment properties in PRC	6,877,110	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	RMB20/sm/mth to RMB680/sm/mth
			(2)	Capitalisation rate	(2)	8.0% to 11.5%
			(3)	Discount rate	(3)	13.0%
Completed investment properties in Hong Kong	686,229	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	HK\$6/sf/mth to HK\$300/sf/mth
			(2)	Capitalisation rate	(2)	3.7% to 4.5%
			(3)	Discount rate	(3)	9.0%
	Fair value at 31 December 2013					
Description	(RMB' 000)	Valuation technique	Unobservable inputs		Range of unobservable inputs	
Investment properties under construction in the PRC	2,502,000	Residual method	(1)	Market prices	(1)	RMB10,000/sm to RMB36,000/sm
			(2)	Developer's profit	(2)	RMB360,000,000 to RMB486,000,000
			(3)	Risk margin	(3)	6.15% to 6.4%
Completed investment properties in PRC	7,076,920	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	RMB5/sm/mth to RMB600/sm/mth
			(2)	Capitalisation rate	(2)	7.0% to 11.5%
			(3)	Discount rate	(3)	13.0%
Completed investment properties in Hong Kong	640,455	Comparison method, Income capitalisation and discounted cash flow method	(1)	Market rents	(1)	HK\$5/sf/mth to HK\$300/sf/mth
			(2)	Capitalisation rate	(2)	3.7% to 4.5%
			(3)	Discount rate	(3)	9.5%

# Notes to the Financial Statements

## 17 INVESTMENT PROPERTIES (Continued)

### Significant inputs used to determine fair value (Continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

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

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

The estimate costs are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

As at 31 December 2014, investment properties with an aggregate net book amount of RMB10,682 million (2013: RMB2,158 million) were pledged as collateral for the Group's bank borrowings (note 43).

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

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	<b>686,229</b>	640,455
Outside Hong Kong (note):		
Leases of between 10 to 50 years	<b>11,928,110</b>	9,578,920
	<b>12,614,339</b>	10,219,375

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

## 18 LAND USE RIGHTS

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

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Beginning of the year	<b>265,901</b>	283,234
Transfer from properties under development	—	8,530
Disposal	—	(13,406)
Amortisation	<b>(10,858)</b>	(12,457)
End of the year	<b>255,043</b>	265,901
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Analysed as:		
Non-current, in China	<b>255,043</b>	265,901

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

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
In China:		
Land use rights of between 10 to 50 years	<b>255,043</b>	265,901

Land use rights with an aggregate net book amount of approximately RMB18 million (2013: RMB7 million) as at 31 December 2014 were pledged as collateral for the Group's bank borrowings (note 43).

# Notes to the Financial Statements

## 19 INTERESTS IN SUBSIDIARIES

	Company	
	2014 RMB' 000	2013 RMB' 000
Investments in unlisted shares, at cost	50,349	50,349
Amounts due from subsidiaries (note (a))	30,347,396	26,626,797
	<b>30,397,745</b>	26,677,146
Amounts due to subsidiaries (note (b))	<b>(52,288)</b>	(48,588)

- (a) The amounts due from subsidiaries are unsecured and not repayable within one year. Except for a total amount of approximately RMB27,478 million (2013: approximately RMB24,333 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 3 percent (2013: 2.5 to 3 percent) per annum.

The balances as at 31 December 2014 and 2013 were not in default or impaired.

The amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2014 RMB' 000	2013 RMB' 000
HKD	8,983,947	7,690,665
RMB	21,363,449	18,936,132
	<b>30,347,396</b>	26,626,797

- (b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

The amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2014 RMB' 000	2013 RMB' 000
RMB	32,770	32,770
Singapore dollars	19,518	15,818
	<b>52,288</b>	48,588

- (c) Details of the principal subsidiaries of the Group as at 31 December 2014 are set out on pages 165 to 175.
- (d) Certain charged bank deposits and cash and cash equivalents of its subsidiaries are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.
- (e) The total non-controlling interests as at 31 December 2014 was approximately RMB1,149 million (2013: RMB985 million). The non-controlling interests of the Group were not material to the consolidated financial statements.



## 20 DISPOSAL OF SUBSIDIARIES

	2014 RMB' 000	2013 RMB' 000
Gain on disposal of:		
– Guangzhou Starry Winking Companies (note (a))	449,414	—
– Tiyu Building Companies (note (b))	—	59,810
Total	<b>449,414</b>	59,810

### (a) Disposal of the Guangzhou Starry Winking Companies

On 23 June 2014, the Group signed a sales and purchase agreement to dispose of the entire interest in Bonus Fortune Development Limited and Super Linkage International Limited (together the “Guangzhou Starry Winking Companies”), subsidiaries of the Group, which ultimately owns units of properties under development in the Tianhe District, Guangzhou, to an independent third party for cash consideration of approximately RMB700 million. The transaction was completed on 13 October 2014.

Details of the assets and liabilities of the Guangzhou Starry Winking Companies disposed of and the gain on disposal are as follows:

	2014 RMB' 000
Assets and liabilities disposed of:	
Properties held for sale	243,873
Cash and cash equivalents	6,348
Other payables and accrued charges	(310,174)
Net liabilities disposed of	<b>(59,953)</b>
Consideration received/receivable	699,536
Add: Net liabilities disposed of	59,953
Less: Shareholder's loan	(310,075)
Gain on disposal of the Guangzhou Starry Winking Companies	<b>449,414</b>

### (b) Disposal of the Tiyu Building Companies

On 15 May 2013, the Group disposed of the entire interest in Jankon International Limited, Takwill International Limited, and Citiland International Limited (together the “Tiyu Building Companies”), subsidiaries of the Group, which ultimately owns a parcel of land and the buildings erected on it in Yuexiu District, Guangzhou, to a fellow subsidiary of the Company for cash consideration of RMB830 million.

# Notes to the Financial Statements

## 20 DISPOSAL OF SUBSIDIARIES (Continued)

### (b) Disposal of the Tiyu Building Companies (Continued)

Details of the assets and liabilities of the Tiyu Building Companies disposed of and the gain on disposal are as follows:

	2013 RMB' 000
Assets and liabilities disposed of:	
Property, plant and equipment	15
Investment properties	82,400
Properties under development	744,000
Cash and cash equivalents	673
Trade and other receivables	409
Taxation recoverable	143
Other payables and accrued charges	(707,463)
Deferred tax liabilities	(1,336)
Other liabilities	(2,478)
Net assets disposed of	116,363
Cash received	830,000
Direct costs attributable to the disposal	(1,420)
Less: Net assets disposed of	(116,363)
Shareholder's loan	(658,508)
Add: Release of reserve	6,101
Gain on disposal of the Tiyu Building Companies	59,810

## 21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB72 million (2013: RMB364million) resulting in a total net gain of approximately RMB23 million (2013: RMB76 million).

## 22 INTERESTS IN JOINT VENTURES

	Group	
	2014 RMB' 000	2013 RMB' 000
Investments in joint ventures		
At 1 January	507,285	411,142
Addition	—	100,000
Share of loss	(10,793)	(3,857)
At 31 December	496,492	507,285
Amounts due from joint ventures (note 44(c))	792,310	658,653
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	791,311	657,654
Total	1,287,803	1,164,939

## 22 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.

Details of the Group's joint ventures as at 31 December 2014 are set out on page 176.

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

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Assets:		
Non-current assets	<b>27,754</b>	1,602
Current assets	<b>1,650,220</b>	1,132,250
	<b>1,677,974</b>	1,133,852
Liabilities		
Non-current liabilities	<b>(164,464)</b>	—
Current liabilities	<b>(1,017,018)</b>	(626,567)
	<b>(1,181,482)</b>	(626,567)
Net assets	<b>496,492</b>	507,285
Revenue	—	—
Expenses	<b>(10,835)</b>	(3,880)
Loss before taxation	<b>(10,835)</b>	(3,880)
Taxation	<b>42</b>	23
Loss for the year	<b>(10,793)</b>	(3,857)
Other comprehensive income	—	—
Total comprehensive loss	<b>(10,793)</b>	(3,857)

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 2014 (2013: nil).

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

# Notes to the Financial Statements

## 23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2014	2013
	RMB' 000	RMB' 000
Share of net assets	4,364,545	4,091,340
Deferred units (note)	2,129,581	2,129,581
Amounts due from associated entities (note 44(c))	227,198	88,154
Interests in associated entities	<b>6,721,324</b>	6,309,075

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

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

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 interest in and/or control over the independent trustee. In addition, as the Group does not have any power to appoint the directors of the asset management company of Yuexiu REIT, the Group does not control the Manager of Yuexiu REIT. Accordingly, the Group also does not control Yuexiu REIT.

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

	2014	2013
	RMB' 000	RMB' 000
Revenue	734,071	642,088
Profit after tax	360,224	198,958
Assets	10,964,539	9,950,396
Liabilities	(6,599,994)	(5,859,056)
Net assets	<b>4,364,545</b>	4,091,340

Details of the Group's associated entities as at 31 December 2014 are set out on page 176.

## 23 INTERESTS IN ASSOCIATED ENTITIES (Continued)

All the interests in associated entities held by the Group are unlisted except for an investment in a material associated entity, Yuexiu REIT with a carrying value of approximately RMB3,926 million (2013: RMB3,720 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB3,132 million (2013: RMB2,934 million). Set out below is the summarised financial information for the Group's material associated entity which is accounted for using the equity method.

	2014 RMB' 000	2013 RMB' 000
Non-current assets	23,700,045	22,986,448
Cash and cash equivalents	986,300	639,786
Other current assets (excluding cash and cash equivalents)	676,259	923,306
Total assets	<b>25,362,604</b>	24,549,540
Non-current liabilities, other than net assets attributable to unitholders	<b>(10,555,845)</b>	(10,063,683)
Current liabilities	<b>(1,578,105)</b>	(1,733,089)
Total liabilities, other than net assets attributable to unitholders	<b>(12,133,950)</b>	(11,796,772)
Net assets attributable to unitholders	<b>(13,141,954)</b>	(12,669,468)
Total liabilities	<b>(25,275,904)</b>	(24,466,240)
Net assets	<b>86,700</b>	83,300
Revenue	<b>1,571,168</b>	1,370,653
Depreciation and amortisation	<b>(148,144)</b>	(144,335)
Finance income	<b>165,497</b>	234,722
Finance expenses	<b>(381,203)</b>	(441,431)
Profit before income tax	<b>1,105,243</b>	672,661
Income tax expense	<b>(177,276)</b>	(148,594)
Post-tax profit before transactions with unitholders	<b>927,967</b>	524,067
Transactions with unitholders	<b>(1,014,632)</b>	(631,117)
Loss after income tax after transactions with unitholders	<b>(86,665)</b>	(107,050)
Other comprehensive income	<b>90,065</b>	107,731
Total comprehensive income	<b>3,400</b>	681
Dividends received	<b>(233,822)</b>	(199,635)

# Notes to the Financial Statements

## 23 INTERESTS IN ASSOCIATED ENTITIES (Continued)

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

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Net assets attributable to unitholders as at 1 January	<b>12,669,468</b>	12,524,083
Issuance of units	<b>101,786</b>	77,471
Transactions with unitholders	<b>1,014,632</b>	631,117
Distributions paid to unitholders	<b>(643,932)</b>	(563,203)
Net assets at 31 December	<b>13,141,954</b>	12,669,468
Net assets attributable to deferred unitholder	<b>(2,129,581)</b>	(2,129,581)
Net assets attributable to unitholders	<b>11,012,373</b>	10,539,887
Interest in associated entity	<b>36.45%</b>	35.69%
Carrying value	<b>3,925,710</b>	3,720,241

Cash and cash equivalents of approximately RMB786 million are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's associated entities have capital commitments of RMB56 million as at 31 December 2014 (2013: RMB60 million).

Certain subsidiaries of the Group jointly and severally provided a guarantee in respect of a syndicated loan borrowed by Yuexiu REIT amounting to approximately RMB3,290 million with an effective period expiring on the date two years after full repayment of the syndicated loan.

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

## 24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	RMB' 000	RMB' 000
Beginning of the year	842,226	895,944
Disposals	(5,200)	—
Increase/(decrease) in fair value recognised in other comprehensive income	92,596	(53,718)
End of the year	<b>929,622</b>	842,226

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

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

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

If the discount for lack of marketability would be changed to +0.5% or -0.5%, the fair value of the investment and other comprehensive income would decrease or increase by approximately RMB8 million (2013: RMB7 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

## 25 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014 RMB' 000	2013 RMB' 000
Call options	<b>12,996</b>	47,642

During the year, the Group made investments in several associated entities and a joint venture. These associated entities and the joint venture invest indirectly in certain parcels of land acquired in China through the establishment of project companies.

According to the terms of the cooperation agreements entered into by the Group and the other investors of the associated entities and the joint venture (the "Other Parties"), the Group was granted call options by the Other Parties to acquire all the equity interests of all the respective project companies with agreed considerations. The call options are exercisable within the periods as stipulated within each cooperation agreement, at exercise prices that are equivalent to the total capital contributions made by the Other Parties in the project companies plus a rate of return not exceeding 12% per annum.

The call options are classified as derivative financial instruments and are carried at fair value. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value for each project company, based on schedules provided by management of the Group, follow the Geometric Brownian motion and both the Group and the Other Parties have a right, but not an obligation to develop the corresponding land parcel.

The model uses the following inputs: gross development value, time to maturity, interest rate and expected volatility.

Significant unobservable input used in the measurement of the call options as at 31 December 2014 are as follows:

	Impact of change	
	Increase 0.5% RMB' 000	Decrease 0.5% RMB' 000
Expected volatility	<b>18,226</b>	<b>(10,739)</b>

The expected volatility of the call options ranges from 1.99% to 4.47%. A higher volatility will increase the value of the call options.

The maximum exposure to credit risk is the carrying amounts of the derivative financial assets. The total gain for the year is included in the consolidated income statement under "other gains".



## 26 PROPERTIES UNDER DEVELOPMENT

	Group	
	2014	2013
	RMB'000	RMB'000
Properties under development	<b>34,134,730</b>	37,554,999

Properties under development are mainly located in China.

As at 31 December 2014, the Group's properties under development of approximately RMB23,764 million (2013: RMB22,109 million) were pledged as collateral for the Group's bank borrowings (note 43).

## 27 PROPERTIES HELD FOR SALE

	Group	
	2014	2013
	RMB'000	RMB'000
Properties held for sale	<b>11,330,156</b>	6,342,773

Properties held for sale are mainly located in China.

As at 31 December 2014, the Group's properties held for sale of approximately RMB344 million (2013: RMB292 million) were pledged as collateral for the Group's bank borrowings (note 43).

# Notes to the Financial Statements

## 28 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Not later than one year	<b>71,766</b>	71,348
Later than one year and not later than five years	<b>30,707</b>	91,468
	<b>102,473</b>	162,816

There was no future operating lease commitment for the Company as at 31 December 2014 and 2013.

## 29 INVENTORIES

	<b>Group</b>	
	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Raw materials	—	80
Work-in-progress	<b>28,331</b>	6,642
Finished goods	<b>2,814</b>	3,954
	<b>31,145</b>	10,676

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB31 million (2013: RMB45 million).

## 30 TRADE RECEIVABLES

	<b>Group</b>	
	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
Trade receivables	<b>33,726</b>	25,299
Less: provision for impairment of trade receivables	<b>(9,286)</b>	(9,286)
	<b>24,440</b>	16,013

### 30 TRADE RECEIVABLES (Continued)

The fair values of trade receivables approximate their carrying amounts.

	Group	
	2014	2013
	RMB' 000	RMB' 000
0 - 30 days	11,305	10,240
31 - 90 days	2,026	3,620
181 - 365 days	875	886
Over 1 year	19,520	10,553
	<b>33,726</b>	<b>25,299</b>

As at 31 December 2014, trade receivables of approximately RMB13 million (2013: RMB14 million) were fully performing.

As at 31 December 2014, trade receivables of approximately RMB11 million (2013: RMB2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group	
	2014	2013
	RMB' 000	RMB' 000
Over 3 months	11,109	2,153

As at 31 December 2014, trade receivables of approximately RMB9 million (2013: RMB9 million) were impaired. The amount of the provision was approximately RMB9 million as at 31 December 2014 (2013: RMB9 million). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group	
	2014	2013
	RMB' 000	RMB' 000
Over 1 year	9,286	9,286

# Notes to the Financial Statements

## 30 TRADE RECEIVABLES (Continued)

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

	Group	
	2014 RMB' 000	2013 RMB' 000
Beginning of the year	9,286	9,286
Receivables written-off during the year as uncollectable	—	—
End of the year	9,286	9,286

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The Group's trade receivables are denominated in RMB.

## 31 CHARGED BANK DEPOSITS

- (a) 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.
- (b) Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group (note 43).

## 32 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Cash at bank	7,646,938	4,857,818	1,164,377	378,498
Short-term bank deposits	235,710	196,931	157,813	196,931
	7,882,648	5,054,749	1,322,190	575,429

### 32 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
HKD	577,795	660,895	367,345	492,423
RMB	7,253,885	4,314,218	904,831	3,370
USD	44,631	77,939	43,740	77,939
Others	6,337	1,697	6,274	1,697
	<b>7,882,648</b>	5,054,749	<b>1,322,190</b>	575,429

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 0.28 percent (2013: 0.6 percent).

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

### 33 TRADE AND NOTE PAYABLES

	Group	
	2014 RMB' 000	2013 RMB' 000
Trade payables	46,906	54,178
Note payables	139,078	178,891
	<b>185,984</b>	233,069

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

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

	Group	
	2014 RMB' 000	2013 RMB' 000
0 - 30 days	96,208	76,593
31 - 90 days	70,189	122,992
91 - 180 days	10,829	23,738
181 - 365 days	4,868	5,706
1 - 2 years	296	3,985
Over 2 years	3,594	55
	<b>185,984</b>	233,069

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

# Notes to the Financial Statements

## 34 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Accrual for construction related costs	8,025,767	5,814,548	—	—
Accrued employee benefits costs	219,212	248,963	44,189	66,879
Amounts due to related parties (note (b))	1,219,217	1,464,794	47,013	44,025
Top-up payment liability (note (a))	197,208	219,072	197,208	219,072
Other payables	1,405,031	1,663,894	173,929	136,836
	<b>11,066,435</b>	9,411,271	<b>462,339</b>	466,812

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Current liabilities	10,950,353	9,257,473	346,257	361,584
Non-current liabilities	116,082	153,798	116,082	105,228
	<b>11,066,435</b>	9,411,271	<b>462,339</b>	466,812

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

Note:

- (a) In connection with the disposal of Guangzhou IFC, the Group agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of the hotel and serviced apartments.

Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate of 4.2% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance costs". The carrying amount approximates its fair value.

- (b) Included in amounts due to related companies are amounts due to fellow subsidiaries of approximately RMB143 million. Amounts due from fellow subsidiaries of approximately RMB19 million are included in other receivables, prepayments and deposits. These balances are unsecured, interest free and repayable on demand.

## 35 BORROWINGS

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
<b>Non-current</b>				
Long-term bank borrowings				
– Secured	<b>8,351,884</b>	8,492,503	—	2,987,674
– Unsecured	<b>8,357,288</b>	1,923,556	<b>7,375,958</b>	1,181,213
Other borrowings, unsecured	<b>6,935,042</b>	5,118,735	<b>6,935,042</b>	5,118,735
Obligations under finance leases	<b>66</b>	109	<b>66</b>	109
	<b>23,644,280</b>	15,534,903	<b>14,311,066</b>	9,287,731
<b>Current</b>				
Bank overdrafts	<b>72</b>	86	—	—
Short-term bank borrowings				
– Secured	<b>1,000,000</b>	1,300,000	—	—
– Unsecured	<b>2,990,834</b>	938,294	<b>1,007,834</b>	758,294
Current portion of long-term bank borrowings				
– Secured	<b>4,062,049</b>	1,100,500	<b>2,972,975</b>	—
– Unsecured	<b>362,066</b>	4,991,585	<b>113,126</b>	3,671,584
Obligations under finance leases	<b>72</b>	84	<b>72</b>	84
	<b>8,415,093</b>	8,330,549	<b>4,094,007</b>	4,429,962
Total borrowings	<b>32,059,373</b>	23,865,452	<b>18,405,073</b>	13,717,693

# Notes to the Financial Statements

## 35 BORROWINGS (Continued)

The maturity of borrowings is as follows:

### Group

	Bank borrowings and overdrafts		Other loans	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Within one year	8,415,021	8,330,465	72	84
In the second year	7,195,952	4,816,987	38	48
In the third to fifth year	8,500,720	4,907,472	2,121,830	2,113,024
Over five years	1,012,500	691,600	4,813,240	3,005,772
	<b>25,124,193</b>	18,746,524	<b>6,935,180</b>	5,118,928

### Company

	Bank borrowings and overdrafts		Other loans	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Within one year	4,093,935	4,429,878	72	84
In the second year	2,582,990	3,012,558	38	48
In the third to fifth year	4,792,968	1,156,329	2,121,830	2,113,024
Over five year	—	—	4,813,240	3,005,772
	<b>11,469,893</b>	8,598,765	<b>6,935,180</b>	5,118,928

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

	2014			2013		
	HKD	RMB	USD	HKD	RMB	USD
Bank overdrafts	6.15%	—	—	6.39%	—	—
Bank borrowings	3.53%	6.9%	2.86%	3.19%	7.93%	3.77%
Other borrowings	6.19%	—	4.11%	—	—	4.11%



### 35 BORROWINGS (Continued)

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

	Group		Company	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
HKD	12,240,593	7,357,965	12,156,004	7,345,536
RMB	13,787,880	10,355,330	218,169	220,000
USD	6,030,900	6,152,157	6,030,900	6,152,157
	<b>32,059,373</b>	23,865,452	<b>18,405,073</b>	13,717,693

The fair values of borrowings approximate their carrying amounts.

### 36 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (‘000)	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At 1 January 2013	9,298,432	852,196	8,878,673	9,730,869
Issue of shares upon exercise of share options (note 37)	23,599	1,893	9,960	11,853
Transfer upon exercise of share options	—	—	3,127	3,127
At 31 December 2013	9,322,031	854,089	8,891,760	9,745,849

	Number of shares (‘000)	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At 31 December 2013	9,322,031	854,089	8,891,760	9,745,849
Issue of shares upon exercise of share options prior to 3 March 2014 (note 37)	251	20	101	121
Transfer upon exercise of share options prior to 3 March 2014	—	—	29	29
Transfer to no par value regime on 3 March 2014 (note (c))	—	8,893,589	(8,891,890)	1,699
Issue of shares upon exercise of share options subsequent to 3 March 2014 (note 37)	2,009	965	—	965
Transfer upon exercise of share options subsequent to 3 March 2014	—	235	—	235
Issue of shares upon rights issue (note (d))	3,077,016	3,010,504	—	3,010,504
At 31 December 2014	12,401,307	12,759,402	—	12,759,402

# Notes to the Financial Statements

## 36 SHARE CAPITAL AND SHARE PREMIUM (Continued)

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.
- (d) During the year ended 31 December 2014, 3,077,015,931 new shares were issued and allotted under the rights issue at the subscription price of HK\$1.25 each on the basis of 33 rights shares for every 100 shares held on 25 September 2014.

## 37 SHARE OPTIONS

Movements of share options are as follows:

	<b>Number of share options '000</b>
At 1 January 2013	29,774
Exercised during the year	(23,599)
Lapsed during the year	(3,668)
At 31 December 2013	2,507
At 1 January 2014	<b>2,507</b>
Exercised during the year	<b>(2,260)</b>
Lapsed during the year	<b>(247)</b>
At 31 December 2014	—

### 37 SHARE OPTIONS (Continued)

Particulars of share options as at 31 December 2014 and 2013 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options	
			2014 '000	2013 '000
23 June 2004	23 June 2004 -22 June 2014	0.6070	—	2,507

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 percent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

As at 31 December 2014, there were no (31 December 2013: 2,507,000) outstanding share options.

The fair value of options granted was determined using the Black-Scholes valuation model by an independent valuer, Greater China Appraisal Limited. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

# Notes to the Financial Statements

## 38 RESERVES

### (a) Group

	Capital redemption reserve RMB' 000	Statutory reserves (note (a)) RMB' 000	Exchange fluctuation reserve RMB' 000	Available- for-sale financial assets fair value reserve RMB' 000	Employee share-based compensation reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
At 1 January 2014	1,699	197,567	(291,123)	490,222	60	14,030,931	14,429,356
Currency translation differences	—	—	7,066	—	—	—	7,066
Change in fair value of available -for-sale financial assets							
– gross	—	—	—	87,965	—	—	87,965
– tax	—	—	—	(21,991)	—	—	(21,991)
– effect of withholding tax	—	—	—	(5,608)	—	—	(5,608)
Profit attributable to shareholders	—	—	—	—	—	2,471,255	2,471,255
Transfer	—	494	—	—	239	(733)	—
Transfer upon exercise of share options prior to 3 March 2014	—	—	—	—	(29)	—	(29)
Transfer upon exercise of share options subsequent to 3 March 2014	—	—	—	—	(235)	—	(235)
Transfer upon lapse of share options	—	—	—	—	(35)	35	—
Dividends paid	—	—	—	—	—	(621,507)	(621,507)
Transition to no-par value regime on 3 March 2014	(1,699)	—	—	—	—	—	(1,699)
At 31 December 2014	—	198,061	(284,057)	550,588	—	15,879,981	16,344,573
Representing:							
2014 final dividend proposed						267,508	
Others						15,612,473	
						15,879,981	

## 38 RESERVES (Continued)

### (a) Group (Continued)

	Capital redemption reserve	Statutory reserves (note (a))	Exchange fluctuation reserve	Available- for-sale financial assets fair value reserve	Employee share-based compensation reserve	Retained profits	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2013	1,699	203,283	(240,129)	547,568	3,732	11,911,118	12,427,271
Currency translation differences	—	—	(50,994)	—	—	—	(50,994)
Change in fair value of financial assets							
– gross	—	—	—	(51,032)	—	—	(51,032)
– tax	—	—	—	12,758	—	—	12,758
– effect of withholding tax	—	—	—	3,253	—	—	3,253
Disposal of non-current asset held –for-sale	—	—	—	(22,325)	—	—	(22,325)
Profit attributable to shareholders	—	—	—	—	—	2,880,343	2,880,343
Transfer	—	385	—	—	—	(385)	—
Transfer upon exercise of share options	—	—	—	—	(3,127)	—	(3,127)
Transfer upon lapse of share options	—	—	—	—	(545)	545	—
Disposal of subsidiaries	—	(6,101)	—	—	—	—	(6,101)
Dividends paid	—	—	—	—	—	(760,690)	(760,690)
At 31 December 2013	1,699	197,567	(291,123)	490,222	60	14,030,931	14,429,356
Representing:							
2013 final and special dividend proposed						251,704	
Others						13,779,227	
						14,030,931	

#### Note:

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

# Notes to the Financial Statements

## 38 RESERVES (Continued)

### (b) Company

	Capital redemption reserve RMB' 000	Employee share-based compensation reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
At 1 January 2014	1,699	60	4,297,100	4,298,859
Transfer upon exercise of share options before 3 March 2014	—	(29)	—	(29)
Transfer to no par value regime on 3 March 2014	(1,699)	—	—	(1,699)
Transfer upon exercise of share options after 3 March 2014	—	(235)	—	(235)
Transfer of reserve upon lapse of share options	—	(35)	35	—
Transfer between reserves	—	239	(239)	—
Loss for the year	—	—	(501,211)	(501,211)
Dividends paid	—	—	(621,507)	(621,507)
At 31 December 2014	—	—	3,174,178	3,174,178
Representing:				
2014 final dividend proposed			267,508	
Others			2,906,670	
			<u>3,174,178</u>	
At 1 January 2013	1,699	3,732	5,493,862	5,499,293
Transfer upon exercise of share options	—	(3,127)	—	(3,127)
Transfer upon lapse of share options	—	(545)	545	—
Loss for the year	—	—	(436,617)	(436,617)
Dividends paid	—	—	(760,690)	(760,690)
At 31 December 2013	1,699	60	4,297,100	4,298,859
Representing:				
2013 final dividend proposed			251,704	
Others			4,045,396	
			<u>4,297,100</u>	

### 39 DEFERRED TAXATION

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

The movements in the deferred tax liabilities account are as follows:

	Group	
	2014 RMB' 000	2013 RMB' 000
Beginning of the year	5,237,028	5,626,062
Credited during the year	(338,596)	(348,535)
Disposal of subsidiaries	(39,216)	(1,336)
Disposal of non-current asset held-for-sale	—	(8,763)
Deferred taxation charged/(credited) to equity	28,757	(16,683)
Exchange differences	(712)	(13,717)
End of the year	<b>4,887,261</b>	5,237,028

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

	Group				
	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 2014	255,950	18,608	34,481	1,021	310,060
Exchange differences	71	—	—	—	71
Charged to profit or loss during the year	(150,465)	—	(7,273)	—	(157,738)
At 31 December 2014	<b>105,556</b>	<b>18,608</b>	<b>27,208</b>	<b>1,021</b>	<b>152,393</b>
At 1 January 2013	299,304	18,608	17,834	863	336,609
Exchange differences	(238)	—	—	—	(238)
(Charged)/credited to profit or loss during the year	(43,116)	—	16,647	158	(26,311)
At 31 December 2013	255,950	18,608	34,481	1,021	310,060

# Notes to the Financial Statements

## 39 DEFERRED TAXATION (Continued)

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

	Group						
	Revaluation of properties RMB' 000	Accelerated depreciation RMB' 000	Revaluation of investments RMB' 000	Different bases in reporting revenue with tax authorities RMB' 000	Others RMB' 000	Undistributed profits of subsidiaries, joint ventures and associated entities RMB' 000	Total RMB' 000
At 1 January 2014	2,845,544	70,668	189,876	1,724,431	23,107	693,462	5,547,088
Exchange differences	(637)	(4)	—	—	—	—	(641)
Charged/(credited) to profit or loss during the year	472,090	(2,006)	—	(1,170,456)	(10,419)	214,457	(496,334)
Credited to reserves	—	—	23,149	—	—	5,608	28,757
Disposal of subsidiaries	—	—	—	(39,216)	—	—	(39,216)
At 31 December 2014	<b>3,316,997</b>	<b>68,658</b>	<b>213,025</b>	<b>514,759</b>	<b>12,688</b>	<b>913,527</b>	<b>5,039,654</b>
At 1 January 2013	2,289,331	69,668	254,814	2,813,541	20,609	514,708	5,962,671
Exchange differences	—	(81)	—	(2,332)	(11,542)	—	(13,955)
Charged/(credited) to profit or loss during the year	564,787	1,081	(43,736)	(1,096,348)	14,040	185,330	(374,846)
Credited to reserves	—	—	(13,430)	—	—	(3,253)	(16,683)
Disposal of subsidiaries	(8,574)	—	—	9,570	—	(2,332)	(1,336)
Disposal of non-current asset held-for-sale	—	—	(7,772)	—	—	(991)	(8,763)
At 31 December 2013	<b>2,845,544</b>	<b>70,668</b>	<b>189,876</b>	<b>1,724,431</b>	<b>23,107</b>	<b>693,462</b>	<b>5,547,088</b>



### 39 DEFERRED TAXATION (Continued)

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

	Group	
	2014 RMB' 000	2013 RMB' 000
Deferred tax assets		
– Hong Kong profits tax	1,530	5,016
– China enterprise income tax	150,870	125,051
	<b>152,400</b>	130,067
Deferred tax liabilities		
– Hong Kong profits tax	25,224	22,705
– China enterprise income tax	2,991,944	2,187,071
– China land appreciation tax	2,022,493	3,157,319
	<b>5,039,661</b>	5,367,095

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 2014, the Group had unrecognised deferred tax benefits of approximately RMB261 million (2013: RMB256 million) in respect of tax losses of approximately RMB1,509 million (2013: RMB1,481 million). Tax losses amounting to RMB138 million (2013: RMB138 million) will expire at various dates up to and including 2019 (2013: 2018). The remaining tax losses have no expiry date.

### 40 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2014, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group	
	2014 RMB' 000	2013 RMB' 000
Not later than one year	373,312	387,439
Later than one year and not later than five years	923,873	1,254,498
Later than five years	136,914	82,025
	<b>1,434,099</b>	1,723,962

There was no future minimum rental payment receivable for the Company as at 31 December 2014 and 2013.

# Notes to the Financial Statements

## 41 CAPITAL COMMITMENTS

	Group	
	2014	2013
	RMB' 000	RMB' 000
Capital commitments in respect of property, plant and equipment and properties under development:		
Contracted but not provided for	633,313	199,840
Authorised but not contracted for	1,051,126	711,538
	<b>1,684,439</b>	911,378

At 31 December 2014, the Group had financial commitments of RMB545 million in respect of acquisition of an associated entity (2013: nil).

The Company did not have any significant capital commitments at 31 December 2014 (2013: nil).

## 42 GUARANTEES

	Group		Company	
	2014	2013	2014	2013
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	6,492,358	2,781,108	—	—
Guarantees for banking and loan facilities granted to subsidiaries (note (b))	—	—	478,540	476,939
Guarantees for banking and loan facilities granted to an associated entity (note (d))	3,290,000	3,680,000	—	—
	<b>9,782,358</b>	6,461,108	<b>478,540</b>	476,939

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) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.
- (c) In connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium and deferred taxation with nil amount as at 31 December 2014 (2013: RMB58 million). The Deed of Indemnity has expired on 30 May 2014.
- (d) Certain subsidiaries of the Group jointly and severally provided guarantee in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

### 43 SECURITIES FOR BANKING FACILITIES

At 31 December 2014, certain banking facilities and loans granted to the Group and the Company were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately RMB23,764 million (2013: RMB22,109 million), RMB344 million (2013: RMB292 million), RMB10,682 million (2013: RMB2,158 million) and RMB883 million (2013: RMB857 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB18 million (2013: RMB7 million);
- (c) assignment of shareholder's loans between certain companies in the Group with an aggregate amount of approximately RMB18,409 million (2013: RMB16,099 million); and
- (d) pledged bank deposits with an aggregate amount of approximately RMB2,100 million (2013: nil).

### 44 SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2014:

<u>Significant related parties</u>	<u>Relationship with the Company</u>
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Kiu Fung Limited ("Kiu Fung")	A fellow subsidiary
Yue Xiu International Development Limited ("YXIDL")	A fellow subsidiary
Yue Xiu Cold Storage and Warehousing Limited ("YXCSSL")	A fellow subsidiary
Chong Hing Bank Limited ("CHB")	A fellow subsidiary

# Notes to the Financial Statements

## 44 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties

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

	<b>2014</b>	2013
	<b>RMB' 000</b>	RMB' 000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	<b>(2,793)</b>	(2,175)
Rental income received from YXE	<b>295</b>	153
(II) Transactions with Yuexiu REIT		
Tenancy service fees received from Yuexiu REIT	<b>20,759</b>	19,151
Rental expenses paid to Yuexiu REIT	<b>(80,753)</b>	(86,447)
Naming rights expenses paid to Yuexiu REIT	<b>(20,000)</b>	(20,000)
Interest paid to Yuexiu REIT	<b>(52,249)</b>	(75,207)
Top up payment paid/payable to Yuexiu REIT	<b>(104,399)</b>	(105,812)
(III) Transaction with Kiu Fung		
Administrative service fees received from Kiu Fung	<b>1,024</b>	1,038
(IV) Transaction with YXIDL		
Management fees paid to YXIDL	<b>(1,926)</b>	(1,381)
(V) Transaction with YXCSSL		
Rental income received from YXCSSL	<b>2,646</b>	2,684
(VI) Transaction with CHB		
Borrowing interest paid to CHB	<b>(13,228)</b>	—

## 44 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with related parties

	Note	Group	
		2014 RMB' 000	2013 RMB' 000
Amount due to an intermediate holding company	(ii)	(534)	(8)
Amounts due from associated entities	(i), (iv)	242,306	116,400
Amounts due to associated entities	(ii), (vi), (vii)	(740,430)	(966,499)
Amounts due from joint ventures	(i), (iii), (v)	829,311	695,654
Amounts due to joint ventures	(i), (ii)	(270,657)	(270,457)
Amounts due to related companies	(i), (ii)	(64,675)	(54,909)
Amounts due to fellow subsidiaries	(i)	(142,921)	(142,921)
Cash at bank from a fellow subsidiary	(i)	11,490	—
Borrowings from a fellow subsidiary	(viii)	(236,661)	—
Other borrowings from a fellow subsidiary	(ix)	(182,184)	—
	Note	Company	
	Note	2014 RMB' 000	2013 RMB' 000
Amount due to an intermediate holding company	(ii)	(534)	—
Amount due to an associated entity	(i), (ii)	(46,479)	(44,025)

Except for the amount due to an intermediate holding company and amounts due from associated entities which are denominated in HKD, all other related party balances are denominated in RMB.

# Notes to the Financial Statements

## 44 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with related parties (Continued)

Note:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB38,000,000 (2013: RMB38,000,000) which is included in other receivables, prepayments and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of approximately RMB15,108,000 (2013: RMB28,246,000) which is included in other receivables, prepayments and deposits.
- (v) The balance are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (2013: RMB999,000) which is made for an amount due from a joint venture.
- (vi) The balance is excluded for top up payment liability with an amount of approximately RMB194,862,000 (2013: RMB219,072,000) which is included in other payables and accrued charges.
- (vii) Except for an amount of approximately RMB508,000,000 (2013: RMB729,000,000) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.
- (viii) These balances are unsecured and interest bearing at HIBOR +2.5 percent per annum.
- (ix) These balances are the medium term notes with coupon rate of 3.25% per annum due 2018.

### (d) Key management compensation

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

	2014 RMB' 000	2013 RMB' 000
Fees	690	540
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	30,317	60,775
Pension costs	420	285
	<b>31,427</b>	61,600

# Group Structure

## PRINCIPAL SUBSIDIARIES

As at 31 December 2014, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Able Business Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Able Step Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK\$7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US\$7,500,000	—	100	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares (HK\$1,000)	—	100	—	100	Investment holding
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares (HK\$500,000)	—	100	—	100	Property investment

# Group Structure

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Glory Mission Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
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 HK\$259,670,000	—	100	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	75	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	—	100	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	—	95	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	98.13	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	98.62	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB380,000,000	—	95.48	—	95.48	Property development



## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	99.75	—	99.75	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	99.75	—	99.75	Property development and investment
Guangzhou Yuexiu Property Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	98.25	—	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	80	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	97.6	—	97.6	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	95	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	95	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co. Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	99.06	—	99.06	Car parking management

# Group Structure

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	100	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	95	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	95	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares (HK\$2)	100	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	95	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	95	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou White Horse Property Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.84	—	99.84	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	99.75	—	99.75	Property investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.28	—	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB1,612,244,900	—	99.07	—	99.06	Property development

# Group Structure

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital US\$499,070,000	—	100	—	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares (HK\$2)	100	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	95	—	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares (HK\$2)	100	—	100	—	Property investment
Kingswell Limited	Hong Kong	1 Ordinary share of HK\$1	—	100	—	100	Property investment
Lucken Limited	Hong Kong	3 Ordinary shares (HK\$3)	—	100	—	100	Property investment
Market Rise Limited	British Virgin Islands	1 Ordinary share of US\$1 each	—	100	—	100	Investment holding
Merry Growth Development Limited	Hong Kong	100 Ordinary shares (HK\$100)	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares (HK\$100)	—	100	—	100	Property investment

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Sociedade de Fomento Predial Codo (Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares (HK\$1,000)	—	100	—	100	Hotel operations
Viclong Company Limited	Hong Kong	100 Ordinary shares (HK\$10,000)	—	100	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share (HK\$1)	—	100	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares (HK\$2)	—	100	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares (HK\$100) and 500,000 Non-voting deferred shares (HK\$500,000)	—	100	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares (HK\$10,000)	—	100	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	—	100	—	Investment holding

# Group Structure

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK\$1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HK\$1 each	—	100	—	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HK\$1 each	—	100	—	100	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	—	100	—	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	100	—	100	Property development
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	—	47.5	—	47.5	Property management
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 management
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	—	100	—	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital RMB1,165,940,000	—	100	—	100	Property management
中山越星房地產開發有限公司	China, limited liability company	Registered capital US\$99,800,000	—	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

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
青島越秀地產開發有限公司	China, limited liability company	Registered capital HK\$2,154,000,000	—	100	—	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HK\$624,000,000	—	100	—	100	Property development
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital US\$290,000,000	—	100	—	100	Property development
廣州東秀房地產開發有限公司	China, limited liability company	Registered capital RMB20,000,000	—	95.48	—	95.48	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital US\$59,800,000	—	99.95	—	99.95	Property development
越秀地產(瀋陽)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.95	—	99.95	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	—	49.88	—	49.88	Property management
越秀地產(煙台)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	100	—	100	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,280,000,000	—	100	—	100	Property development
武漢越秀地產開發有限公司	China, limited liability company	Registered capital RMB2,200,000,000	—	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	—	95	—	95	Property management

# Group Structure

## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
廣州城建物業家政服務有限公司	China, limited liability company	Registered capital RMB500,000	—	99.75	—	99.75	Property management
廣州市蒼景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.70	—	99.70	Greening services
廣州城建物業設備工程有限公司	China, limited liability company	Registered capital RMB500,000	—	99.70	—	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95.48	—	95.48	Property management
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB150,000,000	—	95.48	—	95.48	Property management
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95	—	95	Property management
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	100	—	100	Trade finance
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
廣州宏勝房地產開發有限公司	China, limited liability company	Registered capital RMB1,800,000,000	—	100	—	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	—	100	—	100	Property development



## PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property management
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	95	—	95	Property management
廣州越秀城建仲量聯行物業服務 有限公司	China, limited liability company	Registered capital RMB5,000,000	—	57	—	57	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB60,000,000	—	95.48	—	95.48	Property management
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 management
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB30,000,000	—	95.48	—	95.48	Property management

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

# Group Structure

## PRINCIPAL JOINT VENTURES

As at 31 December 2014, the Group held the following principal joint ventures:

Name of joint Ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/ profit sharing				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co. Ltd.	China	57.14	—	52	—	52	Property development
廣州中耀實業投資有限公司	China	33.33	—	4.77	—	4.77	Property development
廣州越禾房地產開發有限公司	China	50	—	47.74	—	47.74	Property development

## PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2014, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/profit sharing				Principal activities
		2014		2013		
		Direct	Indirect	Direct	Indirect	
Yuexiu Real Estate Investment Trust	Hong Kong	—	36.45	—	35.69	Property investment
武漢康景實業投資有限公司	China	—	7.64	—	7.64	Property development
佛山市禪城區越輝房地產開發有限公司	China	—	19	—	19	Property development
杭州越輝房地產開發有限公司	China	—	20	—	20	Property development
杭州越港實業投資有限公司	China	—	9.55	—	—	Property development



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

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