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

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Announcement of 2018 Annual Results

Results Summary

- The value of the aggregate contracted sales (including contracted sales by joint venture projects) for the year amounted to approximately RMB57.78 billion, representing a year-on-year increase of 41.4%, and accounted for approximately 105.1% of the full year contracted sales target of RMB55.0 billion. The average selling price was RMB20,900 per sq.m., representing a year-on-year increase of 13.6%.
- The revenue for the year was approximately RMB26.43 billion, representing a year-on-year increase of 11.1%.
- The gross profit was approximately RMB8.39 billion, representing a year-on-year increase of 37.4%.
- Gross profit margin was approximately 31.8%, representing a year-on-year increase of 6.1 percentage points.
- Profit attributable to equity holders was approximately RMB2.73 billion, representing a year-on-year increase of 20.7%; core net profit* was approximately RMB2.81 billion, representing a year-on-year increase of 19.6%.
- The Group has newly acquired 16 land parcels mainly located in Guangzhou, Suzhou, Wuhan, etc., with total GFA of approximately 5.05 million sq.m.. The total landbank of the Group was approximately 19.41 million sq.m., representing a year-on-year increase of 19.3%.

- As at 31 December, cash and cash equivalents and charged bank deposits amounted to approximately RMB27.16 billion, representing a year-on-year increase of 30.6% . The net gearing ratio went down to 61.2% from 72.8% at the beginning of the year.
- The Group successfully issued USD800 million 3-year (coupon rate: 4.875%) and USD400 million 5.5-year (coupon rate: 5.375%) offshore corporate bonds, and also successfully issued RMB800 million 3-year (coupon rate: 4.24%) and RMB700 million 5-year(coupon rate:4.25%) onshore corporate bonds.
- The Board proposed to declare a final dividend for 2018 of HKD0.051 per share (equivalent to RMB0.044 per share); together with the interim dividend, total dividends for the full year of 2018 was HKD0.093 per share (equivalent to RMB0.080 per share), representing a year-on-year increase of 1.1% in terms of HKD.

• Revenue	RMB26.43 billion (+11.1%)
• Gross profit	RMB8.39 billion (+37.4%)
• Gross profit margin	31.8% (+6.1 percentage points)
• Profit attributable to equity holders	RMB2.73 billion (+20.7%)
• Core net profit	RMB2.81 billion (+19.6%)
• Contracted sales value	RMB57.78 billion (+ 41.4%)
• Unrecognised sales value	RMB63.90 billion (+60.9%)
• Total assets	RMB168.82 billion (+26.8%)
• Cash and cash equivalents and charged bank deposits	RMB27.16 billion (+30.6%)
• Net gearing ratio**	61.2% (-11.6 percentage points)

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

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

RESULTS

The board of directors ("Directors" or "Board") of Yuexiu Property Company Limited ("Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *RMB'000*	**2017** *RMB'000*
Revenue	4	26,433,444	23,793,908
Cost of sales	5	(18,040,522)	(17,685,801)
Gross profit		8,392,922	6,108,107
Proceeds from sales of investment properties		96,428	350,774
Direct costs of investment properties sold		(93,753)	(350,266)
Gain on sales of investment properties		2,675	508
Fair value gains/(losses) on revaluation of investment properties, net		370,875	(119,326)
Other gains, net	6	1,039,814	670,617
Selling and marketing costs	5	(650,513)	(618,959)
Administrative expenses	5	(1,045,130)	(967,350)
Operating profit		8,110,643	5,073,597
Finance income		169,665	276,557
Finance costs	7	(2,002,121)	(1,309,699)
Share of profit of			
– joint ventures		58,466	81,715
– associated entities		446,749	663,240
Profit before taxation		6,783,402	4,785,410
Taxation	8	(3,743,909)	(2,453,764)
Profit for the year		3,039,493	2,331,646

	Note	2018 RMB'000	2017 RMB'000
Attributable to			
– Equity holders of the Company		2,727,885	2,260,242
– Non-controlling interests		311,608	71,404
		3,039,493	2,331,646
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	9	0.2200	0.1823

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 *RMB'000*	2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		1,994,812	1,961,077
Investment properties		10,865,470	13,743,710
Land use rights		207,569	217,817
Interests in joint ventures		6,473,872	5,570,130
Interests in associated entities		13,912,313	14,202,652
Available-for-sale financial assets		—	1,206,645
Financial assets at fair value through other comprehensive income		1,228,635	—
Derivative financial instruments		9,069	—
Deferred tax assets		492,137	294,853
		35,183,877	37,196,884
Current assets			
Properties under development		73,069,099	45,789,461
Properties held for sale		10,164,536	9,322,176
Contract costs		334,697	—
Prepayments for land use rights		4,862,699	9,192,236
Inventories		—	3,698
Trade receivables	11	50,916	45,315
Other receivables, prepayments and deposits		16,223,088	9,196,475
Prepaid taxation		1,772,324	1,289,824
Charged bank deposits		5,168,750	4,139,112
Cash and cash equivalents		21,990,512	16,655,299
		133,636,621	95,633,596
Non-current assets held-for-sale		—	312,031

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade and note payables	12	1,407,577	157,875
Advance receipts from customers		—	17,633,142
Contract liabilities		31,637,956	—
Other payables and accrued charges		29,371,429	22,122,179
Borrowings		5,786,145	8,461,626
Taxation payable		4,425,962	3,822,029
		72,629,069	52,196,851
Net current assets		61,007,552	43,748,776
Total assets less current liabilities		96,191,429	80,945,660
Non-current liabilities			
Borrowings		47,619,960	39,247,462
Deferred tax liabilities		5,604,127	4,651,862
Deferred revenue		55,624	57,418
		53,279,711	43,956,742
Net assets		42,911,718	36,988,918
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		12,759,402	12,759,402
Shares held under share award scheme		(55,220)	(21,301)
Other reserves		455,671	857,379
Retained earnings		20,666,714	18,790,158
		33,826,567	32,385,638
Non-controlling interests		9,085,151	4,603,280
Total equity		42,911,718	36,988,918

1. Basis of preparation

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

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

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

- certain financial assets, financial assets and liabilities (including derivative instruments) and investment property – measured at fair value, and

- assets held-for-sale – measured at fair value less cost to sell.

The draft financial information relating to the year ended 31 December 2018 and the financial information relating to the year ended 31 December 2017 included in this Results Announcement for the year ended 31 December 2018 does not constitute the Company's statutory annual consolidated financial statements for these years but, in respect of the year ended 31 December 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The financial statements for the year ended 31 December 2018 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of the Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on the financial statements for the year ended 31 December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

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

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

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

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3. The other standards, amendments and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRSs	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the one set out below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

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

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

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

Date of adoption by Group

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

3. Changes in accounting policies

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

(a) Impact on the financial statements

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

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

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

(b) HKFRS 9 Financial Instruments

(i) Classification and measurement

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

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

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

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

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

Note:

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

(ii) Impairment of financial assets

While cash and cash equivalent, charged bank deposit, trade receivables, other receivables and deposits are subject to the impairment requirements of HKFRS 9, the identifiable impairment loss was immaterial.

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

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

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

- those to be measured at amortised cost.

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

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

Recognition and derecognition

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

Measurement

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

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

(ii) Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

Impairment

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

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

(d) HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

(i) Accounting for costs to obtain a contract

Management expects the incremental costs, primarily sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. During the year ended 31 December 2018, the Group recognised amortisation of RMB281,711,000 and capitalised commission fee of RMB356,878,000, which decreased selling and marketing costs by the same amount, increase tax expense by RMB18,792,000 and increased profit after tax by RMB56,375,000. And there was no impairment loss in relation to the costs capitalised.

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

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

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

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

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

- Provides all the benefits received and consumed simultaneously by the customer; or

- Creates and enhances an asset that the customer controls as the Group performs; or

- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For the year ended 31 December 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the Group has concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

Accounting for property management

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

4 Segment information

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

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

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

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

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

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

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

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

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

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Segment assets	131,179,966	1,289,242	10,865,470	2,064,894	145,399,572
Interests in joint ventures	6,410,367	—	1,059	62,446	6,473,872
Interests in associated entities	7,336,060	—	6,298,546	277,707	13,912,313
Total reportable segments' assets	144,926,393	1,289,242	17,165,075	2,405,047	165,785,757
Total reportable segments' assets include:					
Additions to non-current assets (note)	126,332	6,294	5,266	2,947	140,839

	Property development	Property management	Property investment	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017					
Segment assets	93,538,000	1,191,239	14,055,308	2,243,531	111,028,078
Interests in joint ventures	5,507,671	—	1,059	61,400	5,570,130
Interests in associated entities	8,068,841	—	5,892,103	241,708	14,202,652
Total reportable segments' assets	107,114,512	1,191,239	19,948,470	2,546,639	130,800,860
Total reportable segments' assets include:					
Additions to non-current assets (note)	535,155	5,899	9,613	9,850	560,517

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

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

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Segment results	7,159,196	4,496,556
Unallocated operating costs (note)	(88,367)	(93,576)
Other gains, net	1,039,814	670,617
Operating profit	8,110,643	5,073,597
Finance income	169,665	276,557
Finance costs	(2,002,121)	(1,309,699)
Share of profit of:		
– joint ventures	58,466	81,715
– associated entities	446,749	663,240
Profit before taxation	6,783,402	4,785,410

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

Note: Corporate assets represent total assets other than interests in subsidiaries, interests in an associated entity and dividend receivables of the Company.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

For the year ended 31 December 2018 the Group does not have any single customer with the transaction value over 10% of the total external sales (2017: same).

5 Expenses by nature

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

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

6 Other gains, net

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

7 Finance costs

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

Note:

Interest on other payable represents interest on the current amount of subsidiaries of the Group due to an NCI and related parties of an NCI. The balance is approximately RMB4,690 million as at 31 December 2018 (31 December 2017: RMB2,200 million). The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB.

8 Taxation

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2017: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2017: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2017: 5 percent to 10 percent).

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated statement of profit or loss comprises:

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

9 Earnings per share

Basic

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

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

Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Since there was no dilutive potential ordinary shares during the year ended 31 December 2018, diluted earnings per share is equal to basic earnings per share (2017: same).

10 Dividends

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

	2018	**2017**
	RMB'000	*RMB'000*
Interim, paid, of HKD0.042 equivalent to RMB0.036 (2017: HKD0.040 equivalent to RMB0.034) per ordinary share	462,368	442,279
Final, proposed, of HKD0.051 equivalent to RMB0.044 (2017: HKD0.052 equivalent to RMB0.042) per ordinary share	545,657	520,855
	1,008,025	943,134

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

11 Trade receivables

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

	2018	**2017**
	RMB'000	*RMB'000*
0 - 30 days	20,216	13,387
31 - 180 days	11,393	25,974
181 - 365 days	13,623	1,461
Over 1 year	14,489	13,298
	59,721	54,120
Less: loss allowance	(8,805)	(8,805)
	50,916	45,315

12 Trade and note payables

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

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

CHAIRMAN'S STATEMENT

I. BUSINESS REVIEW

Economic and Market Environment

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

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

Sustainable Growth in Operating Results

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

In 2018, the revenue of the Group was approximately RMB26.43 billion, representing a year-on-year increase of 11.1%. The gross profit margin was approximately 31.8%, representing a year-on-year increase of 6.1 percentage points. Profit attributable to equity holders was approximately RMB2.73 billion, representing a year-on-year increase of 20.7%. Core net profit (profit attributable to equity holders excluding net value added on revaluation of investment properties and the related tax effect and net foreign exchange loss recognised in consolidated statement of profit or loss) was approximately RMB2.81 billion, representing a year-on-year increase of 19.6%. As at 31 December 2018, the unrecognized sales value amounted to RMB63.90 billion, representing a year-on-year increase of 60.9%.

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

Substantial Growth in Contracted Sales

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

Increase High-quality Landbank through Diversified Models

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

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

Continuous Improvement in Financial Position

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

Steady Development of Commercial Properties

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

Constant Improvement in Operation Capabilities

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

Smooth Expansion of New Businesses

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

II. BUSINESS OUTLOOK

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

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

Achieving Annual Targets

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

Consolidating the Unique Resource Acquisition Platform

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

Upholding the Strategy of "Coordinated Development of Both Residential and Commercial Properties"

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

Ensuring Financial Prudence and Security

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

Steady Advancement of New Businesses

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

ACKNOWLEDGMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Gross Profit

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

Profit Attributable to Equity Holders

In 2018, profit attributable to equity holders of the Group was approximately RMB2.73 billion (2017: RMB2.26 billion), a year-on-year increase of 20.7%. If the net fair value gains on revaluation of investment properties and the related tax effect and net foreign exchange loss were not taken into account, the core net profit was approximately RMB2.81 billion (2017: RMB2.35 billion), a year-on-year increase of 19.6% and core net profit margin was approximately 10.6%.

Contracted Sales

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

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

In 2018, the development of the property market of the three major regions that the Group focused on, namely the Greater Bay Area, the Yangtze River Delta and the Central China Region, was healthy. The Group also recorded a strong sales results in these regions. The contracted sales value amounted to approximately RMB53.68 billion, accounting for approximately 92.9% of the total contracted sales.

Greater Bay Area

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

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

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

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

Yangtze River Delta

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

Central China Region

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

Contracted sales are summarised as follows:

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
1	Guangzhou Starry Cullinan	4,600	333	72,400
2	Guangzhou Fortune Century Square	5,900	368	62,400
3	Guangzhou Starry Haizhu Bay	114,200	5,693	49,900
4	Guangzhou Yuexiu Greenland Haiyue	37,500	1,969	52,500
5	Guangzhou Starry Golden Sands	2,600	37	14,200
6	Guangzhou Starry Sky City	67,200	2,817	41,900
7	Guangzhou Purple Cloud Mansion	106,900	4,586	42,900
8	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	8,700	422	48,500
9	Guangzhou Starry Wenhua	1,200	39	31,600
10	Guangzhou Paradiso Riverside	6,300	96	15,200
11	Guangzhou Lingnan Hillside	4,300	45	10,500
12	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Factory Land)	13,300	507	38,100
13	Guangzhou Lingnan Villas	4,200	39	9,300
14	Guangzhou Lingnan Wood	6,200	69	11,100
15	Guangzhou Yuexiu Poly Aite City	190,600	4,342	22,800
16	Nansha Southern Le Sand	171,500	3,208	18,700
17	Nansha Binhai New City	247,700	4,461	18,000
18	Nansha Yuexiu East Hillside	27,100	623	23,000
19	Huadu Elegant Mansion	6,900	224	32,500
	Other Projects	16,500	326	19,800
	Subtotal (Guangzhou)	**1,043,400**	**30,204**	**28,900**
20	Nanhai Starry Mansion	12,000	223	18,600
21	Nanhai Starry Winking	12,300	229	18,600
22	Foshan Lingnan Junting	13,100	208	15,900
23	Foshan Paradiso Power	5,000	67	13,400

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

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

Recognised Sales

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

Recognised sales are summarised as follows:

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

No.	Project	GFA *(sq.m.)*	Value *(RMB mil)*	ASP *(RMB/sq.m.)*
21	Zhongshan Paradiso Jadin	92,200	585	6,300
	Subtotal (Pearl River Delta ex. Guangzhou)	**393,300**	**3,622**	**9,200**
22	Hangzhou Starry City	178,500	1,589	8,900
23	Hangzhou Starry Joy City	9,000	86	9,600
24	Hangzhou Starry Upper City	19,800	379	19,100
25	Hangzhou Victory City	1,400	36	25,700
26	Hangzhou Qinai Lane	60,900	1,630	26,800
27	Suzhou Paradiso Pavilion	3,800	50	13,200
28	Suzhou Starry Pavilion	79,500	1,022	12,900
	Subtotal (Yangtze River Delta)	**352,900**	**4,792**	**13,600**
29	Wuhan Starry Emperor	75,900	1,023	13,500
30	Wuhan International Financial City	170,000	4,956	29,200
31	Wuhan Starry Mountain	35,600	774	21,700
	Subtotal (Central China Region)	**281,500**	**6,753**	**24,000**
32	Shenyang Starry Winking	70,300	1,086	15,400
33	Shenyang Hill Lake	1,100	10	9,100
34	Shenyang Starry Blue Sea	12,900	94	7,300
35	Yantai Starry Golden Sands	174,900	1,160	6,600
36	Yantai Starry Phoenix	1,800	10	5,600
37	Qingdao Starry Blue Bay	12,200	127	10,400
38	Qingdao Infinite Mansion	16,600	134	8,100
39	Qingdao Elegant Mansion	115,400	1,006	8,700
	Subtotal (Bohai Rim)	**405,200**	**3,627**	**9,000**
	Total	**1,708,700**	**24,387**	**14,300**

Unrecognised Sales

As at 31 December 2018, the value of the unrecognised sales amounted to approximately RMB63.90 billion, and GFA of the unrecognised sales was approximately 2.73 million sq.m.. The average selling price was approximately RMB23,400 per sq.m..

Unrecognised sales are summarised as follows:

No.	**Project**	**GFA** *(sq.m.)*	**Value** *(RMB mil)*	**ASP** *(RMB/sq.m.)*
1	Guangzhou Starry Cullinan	5,600	375	67,000
2	Guangzhou Starry Haizhu Bay	197,600	9,610	48,600
3	Guangzhou Yuexiu Greenland Haiyue	128,400	5,526	43,000
4	Guangzhou Starry Sky City	111,300	4,700	42,200
5	Guangzhou Purple Cloud Mansion	135,300	5,851	43,200
6	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	8,700	421	48,400
7	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Factory Land)	13,300	507	38,100
8	Guangzhou Yuexiu Poly Aite City	191,200	4,477	23,400
9	Nansha Southern Le Sand	128,800	2,947	22,900
10	Nansha Binhai New Town	353,800	6,252	17,700
11	Nansha Yuexiu East Hillside	27,100	623	23,000
12	Huadu Elegant Mansion	6,900	224	32,500
	Subtotal (Guangzhou)	**1,308,000**	**41,513**	**31,700**
13	Nanhai Starry Mansion	12,000	223	18,600
14	Nanhai Starry Winking	4,900	96	19,600
15	Foshan Longfor Yuexiu Cloud Mansion	12,400	105	8,500
16	Jiangmen Starry Regal Court	59,900	383	6,400
17	Jiangmen Xijiang Joy Mansion	26,700	251	9,400
18	Jiangmen Starry Mountain	5,700	98	17,200

No.	Project	GFA	Value	ASP
		(sq.m.)	*(RMB mil)*	*(RMB/sq.m.)*
19	Heshan Starry Regal Court	94,200	775	8,200
20	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	54,000	554	10,300
21	Zhongshan Starry Peakfield	102,400	1,343	13,100
	Subtotal (Pearl River Delta ex. Guangzhou)	**372,200**	**3,828**	**10,300**
22	Hangzhou Starry City	255,700	3,683	14,400
23	Hangzhou Joy Mountain	120,300	2,109	17,500
24	Hanghzhou Lake & Mountain	61,300	1,022	16,700
25	Hangzhou Garden 1872	60,100	2,401	40,000
26	Hangzhou Joy Bay	71,100	2,828	39,800
27	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	30,600	743	24,300
28	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	8,500	189	22,200
	Subtotal (Yangtze River Delta)	**607,600**	**12,975**	**21,400**
29	Wuhan Starry Emperor	18,200	208	11,400
30	Wuhan International Financial City	12,100	497	41,100
31	Wuhan Starry Mountain	9,000	235	26,100
32	Wuhan Starry Bay	59,100	934	15,800
33	Wuhan Yuexiu Paradiso Mansion	8,000	123	15,400
34	Wuhan Yuexiu Paradiso Garden	46,700	581	12,400
35	Wuhan Joy Mansion	71,900	615	8,600
	Subtotal (Central China Region)	**225,000**	**3,193**	**14,200**
36	Shenyang Starry Winking	38,500	567	14,700
37	Yantai Starry Golden Sands	30,000	223	7,400
38	Yantai Elegant Mansion	64,800	718	11,100
39	Qingdao Starry Blue Bay	7,600	92	12,100
40	Qingdao Elegant Mansion	55,200	482	8,700

No.	Project	GFA	Value	ASP
		(sq.m.)	*(RMB mil)*	*(RMB/sq.m.)*
41	Qingdao Jiaozhou Platinum Mansion	12,900	186	14,400
42	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	9,700	102	10,500
43	Ji'nan Gemdale Yuexiu Art Living	1,000	24	24,000
	Subtotal (Bohai Rim)	**219,700**	**2,394**	**10,900**
	Total	**2,732,500**	**63,903**	**23,400**

Landbank

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

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

No.	Project	Equity holding	Total GFA	Attributable GFA
			(sq.m.)	*(sq.m.)*
1	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Plant Land)	13.63%	383,800	52,300
2	Panyu GAC Auto Town Project	28.64%	527,900	151,200
3	Nansha Lingshan Island Land II	95.00%	405,600	385,300
4	Nansha Lingshan Island Land III	9.50%	130,000	12,400
5	Huadu Phoenix Road Land II	9.55%	292,200	27,900
6	Huadu Phoenix Road Land III	9.55%	193,300	18,500
7	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	47.50%	351,200	166,800

No.	Project	Equity holding	Total GFA (sq.m.)	Attributable GFA (sq.m.)
8	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	95.00%	210,500	200,000
9	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	15.68%	116,300	18,200
10	Wuhan Huangpi Land	14.25%	231,900	33,000
11	Xiangyang Lejin New District Land	28.50%	1,092,000	311,200
12	Yantai Elegant Mansion	90.25%	78,600	70,900
13	Qingdao Licang Ocean Chemical Industry Land	51.00%	211,900	108,100
14	Qingdao Jiaozhou Platinum Mansion	99.50%	209,100	208,100
15	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	23.51%	565,400	132,900
16	Ji'nan Gemdale Yuexiu Art Living	38.00%	52,600	20,000
	Total		**5,052,300**	**1,916,800**

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

Landbank is summarised as follows:

No.	Project	Landbank *GFA* *(sq.m.)*	PUD *GFA* *(sq.m.)*	PFD *GFA* *(sq.m.)*
1	Guangzhou Asia Pacific Century Plaza	229,400	229,400	—
2	Guangzhou Starry Haizhu Bay	734,500	530,700	203,800
3	Guangzhou Yuexiu Greenland Haiyue	148,700	148,700	—
4	Guangzhou Haizhu Nanzhou Road Land	154,900	154,900	—
5	Guangzhou Starry Sky City	562,800	562,800	—
6	Guangzhou Purple Cloud Mansion	245,500	245,500	—
7	Guangzhou Liwan Park Avenue (previous name: Guangzhou Guanggang Phase 4 Land)	275,500	275,500	—
8	Panyu Cullinan (previous name: Guangzhou Panyu Hualing Air-condition Plant Land)	383,800	383,800	—
9	Panyu GAC Auto Town Project	527,900	—	527,900
10	Guangzhou Yuexiu Poly Aite City	245,200	245,200	—
11	Nansha Southern Le Sand	1,190,400	410,500	779,900
12	Nansha Binhai New Town	1,014,100	652,000	362,100
13	Nansha Yuexiu East Hillside	258,300	258,300	—
14	Nansha Jinling North Land	134,300	134,300	—
15	Nansha Lingshan Island Land I	221,400	—	221,400
16	Nansha Lingshan Island Land II	405,600	—	405,600
17	Nansha Lingshan Island Land III	130,000	—	130,000
18	Huadu Elegant Mansion	222,200	222,200	—
19	Huadu Phoenix Road Land II	292,200	292,200	—
20	Huadu Phoenix Road Land III	193,300	—	193,300
	Other Projects	50,100	—	50,100
	Subtotal (Guangzhou)	**7,620,100**	**4,746,000**	**2,874,100**

No.	Project	Landbank *GFA* *(sq.m.)*	PUD *GFA* *(sq.m.)*	PFD *GFA* *(sq.m.)*
21	Foshan Lingnan Junting	24,000	24,000	—
22	Nanhai Starry Mansion	567,100	352,300	214,800
23	Foshan Longfor Yuexiu Cloud Mansion	76,300	76,300	—
24	Jiangmen Starry Regal Court	58,200	58,200	—
25	Jiangmen Xijiang Joy Mansion	81,200	81,200	—
26	Jiangmen Starry Mountain	2,900	2,900	—
27	Heshan Starry Regal Court	416,000	416,000	—
28	Jiangmen Yuexiu Binjiang City Glory (previous name: Jiangmen Binjiang Land)	351,200	351,200	—
29	Zhongshan Starry Peakfield	153,100	153,100	—
	Subtotal (Pearl River Delta ex. Guangzhou)	**1,730,000**	**1,515,200**	**214,800**
30	Hangzhou Starry City	1,144,600	536,800	607,800
31	Hangzhou Garden 1872	370,500	237,600	132,900
32	Hangzhou Joy Bay	360,700	179,600	181,100
33	Hangzhou Lake & Mountain	224,800	224,800	—
34	Hangzhou Joy Mountain	225,000	225,000	—
35	Hangzhou Jianggan Niutian Land	122,900	122,900	—
36	Suzhou YueFu Mansion (previous name: Suzhou Xuguan Land I)	210,500	210,500	—
37	Suzhou Joy Bay (previous name: Suzhou Xuguan Land II)	116,300	116,300	—
38	Suzhou Taicang Xiangdong Island Land	988,300	241,600	746,700
	Subtotal (Yangtze River Delta)	**3,763,600**	**2,095,100**	**1,668,500**

No.	Project	Landbank *GFA* *(sq.m.)*	PUD *GFA* *(sq.m.)*	PFD *GFA* *(sq.m.)*
39	Wuhan International Financial City	598,900	598,900	—
40	Wuhan Hanyang Starry Winking	1,128,600	1,128,600	—
41	Wuhan Starry Bay	84,500	84,500	—
42	Wuhan Yuexiu Paradiso Mansion	42,200	42,200	—
43	Wuhan Caidian Land I	78,800	—	78,800
44	Wuhan Joy Mansion	171,700	171,700	—
45	Wuhan Yuexiu Paradiso Garden	210,000	210,000	—
46	Wuhan Huangpi Land	231,900	231,900	—
47	Xiangyang Lejin New District Land	1,092,000	130,600	961,400
	Subtotal (Central China Region)	**3,638,600**	**2,598,400**	**1,040,200**
48	Shenyang Starry Winking	371,800	213,400	158,400
49	Shenyang Hill Lake	270,200	—	270,200
50	Yantai Elegant Mansion	78,600	78,600	—
51	Qingdao Elegant Mansion	61,700	61,700	—
52	Qingdao Licang Ocean Chemical Industry Land	211,900	—	211,900
53	Qingdao Licang Qingyin Highway East Land	666,300	—	666,300
54	Qingdao Jiaozhou Platinum Mansion	209,100	209,100	—
55	Ji'nan Baimai Delighted Mansion (previous name: Ji'nan Zhangqiu Land)	565,400	565,400	—
56	Ji'nan Gemdale Yuexiu Art Living	52,600	52,600	—
	Subtotal (Bohai Rim)	**2,487,600**	**1,180,800**	**1,306,800**
57	Hainan Simapo Island Land	100,500	—	100,500
58	Hong Kong Yau Tong Project	72,100	—	72,100
	Total	**19,412,500**	**12,135,500**	**7,277,000**

Construction Progress

In respect of the development of residential properties, the Group follows market cycle and speeds up the turnover to enhance the development efficiency. Project development was progressing as scheduled. To accelerate sales and satisfy the new strong demand of the market, new commencement of construction and completion were in line with the Group's schedule.

New commencement of construction and completion are summarised as follows:

Construction progress	**Actual GFA In 2018** *(sq.m.)*	**Planned GFA for 2019** *(sq.m.)*
New commencement of construction	5,927,300	5,057,700
Completion	2,590,000	2,946,200

INVESTMENT PROPERTIES

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

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

OTHER GAINS, NET

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

SELLING AND MARKETING COSTS

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

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS, NET

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

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

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

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

BASIC EARNINGS PER SHARE

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

FINAL DIVIDEND

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the Group's main sources of liquidity. The Group has always adhered to prudent financial management principles, emphasised on funding management and risk control, established an ongoing monitoring system to respond to market changes, ensured healthy and adequate liquidity and secured the business development. While continuing to maintain a good relationship with commercial banks in Mainland China and Hong Kong, the Group also explores more funding channels, optimises the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its risk resistance capabilities.

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

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

WORKING CAPITAL

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

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

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

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

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

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2018, among the total borrowings of the Group, approximately 33.6% was floating rate bank loans denominated in Renminbi, approximately 9.6% was floating rate bank loans denominated in Hong Kong dollars, approximately 13.6% was fixed rate bank loans denominated in Renminbi, approximately 17.7% was medium-to-long term fixed rate bonds denominated in Renminbi, approximately 25.5% was medium-to-long term fixed rate notes denominated in US dollars/ Hong Kong dollars, in aggregate, fixed rate borrowings accounted for approximately 57%

of the total borrowings of the Group. Due to a higher proportion of fixed rate financing, domestic liquidity began to surge in the second half of 2018, and the interest risks were under control, the Group did not enter into any arrangement of interest rate hedging instruments during the reporting year. During the reporting year, the average borrowing interest rate was approximately 4.82%, increased by 0.52 percentage point from 4.30% in 2017.

With respect to onshore Renminbi loan interest rates, the People's Bank of China ("PBOC") has continually cut interest rates and reduced reserve requirement ratios (RRR) since November 2014. The one-year benchmark interest rate dropped from 5.60% to the current level of 4.35%. In the first half of 2018, the liquidity was tight, and real lending rates in the market rose significantly. In the second half of 2018, PBOC cut RRR three times to release liquidity, thereby loosening market liquidity. Financing restrictions in the real estate sector remained. In 2019, concerning about the slowing down of the domestic economy and the continuous impact of the trade war between US and China, the market uncertainties are expected to remain high. In 2019, the domestic monetary policy is expected to be neutral and loosening.

With respect to the loan interest rates of US dollars and Hong Kong dollars, as a result of the sound US economy, the US Federal Reserve raised interest rate nine times from December 2015 to the end of 2018. 2018 witnessed four interest rate hikes, with an accumulative increase of approximately 1 %. The US Federal Reserve has appeared to adopt more moderate stance recently. In 2019, the market is expected to witness one to two interest rate hikes by the US Federal Reserve. Currently, there are abundant capital resources in the Hong Kong market. It is expected that the rate adjustment for Hong Kong dollar loans will lag slightly behind the US dollar, but will follow the rise of the US interest rate. The Group anticipates the offshore US/Hong Kong dollar loan interest rates may rise slightly as compared to 2018. The Group will continue to monitor the changes of onshore and offshore interest rates, adjust and optimise its debt structure and adopt appropriate financial instruments to manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE EXPOSURE

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to manage foreign risk. As at 31 December 2018, approximately 35% (23% at the beginning of the year) of the total borrowings of the Group was borrowings denominated in foreign currencies, among which approximately HKD5.88 billion (equivalent to approximately RMB5.15 billion) was bank borrowings denominated in Hong Kong dollars, approximately USD1.70 billion (equivalent to approximately RMB11.60 billion) was medium-to-long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB2.00 billion) was medium-to-long term notes denominated in Hong Kong dollars, among which hedge products were arranged for borrowings denominated in foreign currencies (equivalent to approximately RMB 4.99 billion) to manage certain foreign exchange exposure.

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

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2018, the Group's capital commitments in respect of purchases of property, plant, equipment amounted to approximately RMB798 million (31 December 2017: RMB1.27 billion).

CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2018, total contingent liabilities relating to these guarantees amounted to approximately RMB13.69 billion (31 December 2017: RMB8.43 billion).

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 8,190 employees (30 June 2018: 7,390 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2018.

Code Provision A.4.1

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

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 29 May 2019, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 23 May 2019.

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

By order of the Board
Yuexiu Property Company Limited
LIN Zhaoyuan
Chairman

Hong Kong, 27 February 2019

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

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