GUORUI PROPERTIES LIMITED

國瑞置業有限公司

(於開曼群島以「Glory Land Company Limited (国瑞置业有限公司)」的名稱註冊成立的有限公司，並以「Guorui Properties Limited」的名稱在香港經營業務)

(Incorporated in the Cayman Islands with limited liability under the name of "Glory Land Company Limited (国瑞置业有限公司)" and carrying on business in Hong Kong as "Guorui Properties Limited")

香港聯合交易所股份代號 Stock Code : 2329

年報
Annual Report
2018

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FINANCIAL & OPERATION HIGHLIGHTS

Financial Highlights (RMB million)	2018	2017	Change (%)
Contracted sales	21,913	14,877	47%
Revenue	6,612	6,787	-3%
Gross profit	2,599	3,169	-18%
Profit for the year	1,569	2,040	-23%
Profit attributable to owners of the Company	1,009	1,750	-42%
Core profit	888	1,323	-33%
Total assets	75,680	58,544	29%
Equity attributable to owners of the Company	11,903	10,902	9%
Cash resources[1]	1,972	2,318	-15%
Financial Information per share			
Earnings per share (RMB cents)			
–Basic	22.70	39.46	-42%
–Diluted	22.60	39.20	-42%
Dividend per share (HK cents)	5.64	8.07	-30%
Financial Ratios			
Gross profit margin (%)	39%	47%	-8%
Net profit margin (%)	24%	30%	-6%
Net gearing ratio (%)[2]	150%	205%	-55%
Dividend payout ratio (%)	22%	17%	5%
Current ratio (times)	1.3	1.3	0%
Operational Highlights (thousand sq.m.)			
Landbank	16,732	8,506	97%
Saleable GFA sold	1,304	915	43%
Saleable GFA delivered	574	532	8%

1 Including the restricted bank deposits

2 Total interest bearing debt minus cash resources divided by total equity

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of Guorui Properties Limited (the "Company"), together with its subsidiaries, (the "Group") for the year ended December 31, 2018 (the "Reporting Period").

ANNUAL RESULTS AND REVIEW FOR 2018

Annual Results

During the Reporting Period, the revenue of the Group was RMB6,612.5 million, of which the revenue from property development was RMB5,924.6 million, revenue from property leasing was RMB510.2 million and the profit was RMB1,569.2 million, of which the profit attributable to owners of the Company was RMB1,008.8 million.

Market Review

In 2018, regulation and control are still the keynote of the real estate industry. Investment speculation was fully restrained from all aspects including demand side of house purchase, supply and financial side of property, which reinforced that the nature of housing properties is for accommodation. By closely following the pace of the central government, the city-specific regulatory policies were implemented in the real estate industry where the policies have been shifting from regulating on a single city to tightening up through the synergy among city agglomerations and the interconnections among regions. From market performance perspective, first- and second-tier cities saw a decline in trading volume amidst focused-regulation, while the significant effect of properties destocking turned up in third- and fourth-tier cities under the impact of spillover.

Property Development

In line with the changes in the situation, the Group adopted flexible strategies to promote rapid growth in sales, laying a solid foundation for the future profitability of the Company. During the Reporting Period, the Group achieved contracted sales of RMB21,912.8 million, representing an increase of 47.3% as compared to the corresponding period of the previous year. The total contracted GFA was 1,304,041 sq.m., representing an increase of 42.5% as compared to the corresponding period of the previous year. Contracted sales were mainly contributed by Beijing, representing 38.5%, as well as the first-tier cities and their surrounding popular cities, representing 51.4% in aggregate.

Amid the current tightening financial policies, the Group gave priority to the assurance of the stability of cash flows, strengthened control over investment risks, and carefully screened premium projects for investment. In terms of urban layout, we continued to deepen the operation in cities where we have strategic presence, focused on the key cities in the four major regions, being the "Beijing Tianjin Hebei" region, the "Yangtze River Delta" region, the "Pearl River Delta" region and the economic corridor of the "Belt and Road Initiative"; in view of the increased policy and financial pressure emerged in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, the Group will strictly control the risks, remain cautious in countercyclical land acquisition and avoid acquisition of any land at a high price. At present, the core districts in second-tier cities are capable of competing with first-tier cities, and the outbound expansion trend of second-tier cities has emerged with obvious urban spillover effects, new districts in second-tier cities are good for investment. Meanwhile, the demand for low-density products for improved residential purpose is gradually increasing in areas surrounding second-tier cities, giving rise to development opportunities in the future to some extent; in respect of third- and fourth-tier cities, we selected land with strong supporting resources, such as the government, schools, hospitals, subways, core commercial areas and other regional strong resources, with a view to avoiding the risks arising from limited market capability faced by third- and fourth-tier cities.

Investment Properties

Rental income increased by 64.4% year-on-year with promising prospects for high-quality properties

During the Reporting Period, the total rental income of the Group was RMB510.2 million, representing an increase of 64.4% as compared to the corresponding period of the previous year. Rental income is expected to maintain steady growth over the next two to five years, which is mainly benefited from the Group's 11 investment properties situated at the prime locations of 7 core cities including Beijing and Shenzhen with total planned GFA of approximately 964,496 sq.m.. Calculated by the area under operation, the operating area in Beijing accounted for about 62.8%, among which Glory Shopping Mall located in Beijing's most prosperous Chongwen business district and has become a fashionable gathering place of the region. Hademen Plaza, which is in proximity to Glory Shopping Mall, was accredited as a 2016-2017 "China New Hundred Urban Landmark Architecture (中國百城建築新地標)" project.

Land Reserves

The Group adhered to the growth of quality, increased the requirements for profit rate and risk control of project investment, and obtained high-quality land reserves; the methods of obtaining are mainly by tender, auction and listing (招拍掛) and cooperative development, supplemented by mergers and acquisitions. The Group refused to acquire high-priced land. During the Reporting Period, the Group obtained three high-quality land parcels with total planned GFA of approximately 2,111,981 sq.m..

In addition, the Company also sustained the growth momentum of future sales by mergers and acquisitions of mature projects within the strategic layout of the Company. As of December 31, 2018, the Company added 9 new projects for cooperation in the "Beijing Tianjin Hebei" region, Guangdong-Hong Kong-Macao Greater Bay Area and the areas under the "Belt and Road Initiative" by mergers and acquisition. In the future, the Company will also seize opportunities to increase high-quality land resources through various channels such as cooperation and mergers and acquisitions with a view to quickly achieve a leap-forward sales growth.

The Group believes that first-tier cities will witness strong demand of properties for a long term in view of its outstanding advantages in resource concentration due to constant population inflow and advanced level of economic development, as well as the low stock of properties and shortage of land supply. As of December 31, 2018, the total planned GFA for land reserves of the Group was 16,732,313 sq.m., and the average land cost was approximately RMB2,823 per sq.m..

Financing Channels

The Group focused on expanding financing channels, optimizing debt structures and lowering financing costs while actively deploying diversified financing models in order to support the diversified and synergetic development of the Group's businesses. The Group successfully issued senior notes of US$250 million in March 2018 and issued senior notes of US$100 million of two-year term in June 2018, under the market situation where the stock market fluctuated dramatically and the bond market was in a severe hardship. In October 2018, the Company successfully issued 18-year CMBS (commercial mortgage-backed security) of RMB4.11 billion in Beijing Financial Assets Exchange.

OUTLOOK FOR 2019

Keeping houses for living in, not for speculation and realizing living in peace and contentment

In 2019, the central government will continue to insist on the position of "houses for living in, not for speculation", and "city-specific regulatory policies, differentiated regulation and control" will remain the keynote of the real estate industry. The government reports of the National People's Congress and the Chinese Political Consultative Conference puts forward "To cultivate the leasing market, develop shared property rights for housing and accelerate the establishment of housing system such as multi-agent supply, multi-channel protection and lease/purchase option in order to enable the broad masses of the people to live in peace and contentment as soon as possible". The Group believes that the development goals of China's economy have shifted from high-speed growth to high-quality growth. The development of real estate companies in the new era must closely follow the guidelines of the national policies to proactively adapt to the development and challenges of the new economy and expand the new space for future development.

The Group is of the view that the demands of China's real estate will mainly arise from in three aspects for a certain period in the future: (1) The living environment and housing demand of peasants will be solved by implementing the strategy of village rejuvenation and the construction of beautiful new rural villages in the new era as proposed by General Secretary Xi Jinping. (2) The housing demand of low- and middle-income people in the first- and second-tier cities will be satisfied by indemnificatory housing and public rental housing. (3) The demand for house purchase in one's hometown is increasingly prominent as the new urbanization is developing rapidly and the rural population is relocating to third- and fourth-tier cities; the city value will be more obvious as third- and fourth-tier cities around metropolitan areas will share urbanization dividends. Therefore, it can be predicted that the real estate market in China will still have much room for development in the next decade.

At this new stage, the Group believes that there are promising prospects in the fields such as real estate projects featuring cultural tourism and cultural innovation and the development and utilization of collective-owned lands. The cultural tourism leisure project is currently one of the major directions for the development of many cities, and it is also an opportunity amid the general trend of leisure consumption upgrading of urban residents. The cultural innovation projects echo the macro policy of "Entrepreneurship and Innovation (創業創新)", which will build a platform of entrepreneurship and innovation to provide soft and hardware services for start-up innovative businesses, thus boosting the transformation and upgrading of domestic industries; utilisation of collective-owned industrial land is the bottom line measure to ensure the steady income for rural residents during the process of urban development. As the large size of such land resource makes it become the blue ocean for the existing real estate market, the Group will actively explore cooperation with village collectives in terms of land development, to realize the win-win situation between rural residents and enterprises; meanwhile, the Group made efforts to build a smart new city by combining the traditional real estate development with smart manufacturing. In addition, in line with the "Simultaneously Promoting Renting and Leasing (租賃並舉)" policy, the Group focused on targeting location in first-tier cities to explore the house leasing business.

In the future, the Group will uphold the strategy of deeper regional exploitation, adopt proactive and flexible sales policies and attract more customers with continuously improved product structure and excellent product quality. The Group will step up efforts to promote sales while strengthening the collection of sales payment. Moreover, the Group will also focus on adjusting the debt structure and endeavor to reduce financing costs, thus enhancing our core competitiveness and ensuring the sustainable growth in future performance.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express our sincere gratitude to all of our employees for their diligence and endeavors, and our sincere appreciation to investors, customers and business partners for their strong support and confidence in the Group.

Zhang Zhangsun
Chairman

Beijing, the PRC
March 28, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's total contracted sales were approximately RMB21,912.8 million, representing an increase of 47.3% as compared to the year ended December 31, 2017. The Group's revenue was RMB6,612.5 million, representing a decrease of 2.6% as compared to the year ended December 31, 2017. The decrease was mainly due to decrease of revenue from property development. Revenue from property development was RMB5,924.6 million, representing a decrease of 7.2% as compared to the year ended December 31, 2017. During the Reporting Period, the Group's gross profit was RMB2,599.2 million, and the net profit was RMB1,569.2 million, of which RMB1,008.8 million was attributable to the owners of the Company.

Contracted Sales

During the Reporting Period, the contracted sales of the Group amounted to approximately RMB21,912.8 million, representing an increase of 47.3% as compared to RMB14,876.7 million for the year ended December 31, 2017. The total contracted GFA was approximately 1,304,041 sq.m., representing an increase of 42.5% as compared to the corresponding period of the previous year. The contracted average selling price was RMB16,804 per sq.m., representing an increase of 3% as compared to RMB16,260.7 per sq.m. for the year ended December 31, 2017.

The following table sets out the geographic breakdown of the Group's contracted sales for the years ended December 31, 2018 and 2017:

	2018		2017	
City	**Contracted Sales (RMB million)**	**Percentage of Total Contracted Sales (%)**	Contracted Sales (RMB million)	Percentage of Total Contracted Sales (%)
Beijing	**8,434.0**	**38.5**	4,829.2	32.6
Haikou	**769.2**	**3.5**	1,432.0	9.6
Wanning	**28.5**	**0.1**	92.7	0.6
Langfang	**823.5**	**3.8**	1,421.6	9.6
Zhengzhou	**119.1**	**0.5**	244.4	1.6
Shenyang	**652.3**	**3.0**	750.1	5.0
Foshan	**1,627.7**	**7.4**	861.6	5.8
Shantou	**1,531.3**	**7.0**	1,161.1	7.8
Suzhou	**1,422.9**	**6.5**	655.4	4.4
Chongming Island	**2,013.8**	**9.2**	463.8	3.1
Chongqing	**477.0**	**2.2**	—	—
Jiangmen	**200.7**	**0.9**	—	—
Tianjin	**780.1**	**3.6**	—	—
Wuxi	**300.0**	**1.4**	—	—
Guizhou Tongren	**83.3**	**0.4**	—	—
Cooperation project	**2,649.4**	**12.0**	2,964.8	19.9
Total	**21,912.8**	**100.0**	14,876.7	100.0

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phase development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As at December 31, 2018, the Group had completed a total GFA of 6,857,885 sq.m. and had land reserves with a total GFA of 16,732,313 sq.m., comprising (a) a total GFA of 1,178,698 sq.m. completed but remaining unsold, (b) a total GFA of 6,853,057 sq.m. under development, and (c) a total planned GFA of 8,700,558 sq.m. held for future development.

The Group selectively retained the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and sustainable income. As of December 31, 2018, the Group had investment properties with a total GFA of 964,496 sq.m. in core locations in seven cities including Beijing, Shenzhen, Shengyang, Shantou and Foshan.

Properties Under Development and Properties Held for Future Development

The following table sets out a summary of information on the Group's projects and project phases under development and properties held for future development as at December 31, 2018:

	Project	Project Type	Site Area	UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT		
				GFA Under Development	Saleable/ Rentable GFA	GFA Pre-sold	Planned GFA	GFA of Land Use Rights Certificates Not Yet Obtained	Ownership Interest
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Beijing									
1	Beijing Glory Villa East	Residential	94,199	312,066	233,315	87,726	—	—	80
2	Beijing Glory Villa West	Residential	73,294	239,805	179,823	137,998	—	—	80
3	Daxing Yinghai Project	Residential	63,030	201,690	148,762	103,328	—	—	80
4	Fengtai Xitieying	Residential	65,650	335,456	323,112	76,749	—	—	16
5	Haidian Cuihu (海澱翠湖)	Residential	82,336	271,380	266,415	—	—	—	28
6	Fengtai Xiaowayao (豐台小瓦窰)	Residential	27,200	149,197	144,091	—	—	—	20.4
Haikou									
1	Hainan Yunlong	Mixed-use	1,084,162	109,110	98,727	—	667,679	—	72
Wanning									
1	Wanning Glory City (Phases II to III)	Residential	143,560	17,228	—	—	173,531	—	80
Langfang									
1	Yongqing Glory City (Phases I (partial) to II)	Residential	410,569	110,706	71,194	30,958	789,440	—	80
2	Yongqing Glory City (Phases IV (partial))	Residential	217,726	160,214	99,878	31,767	438,428	—	100
Zhengzhou									
1	Zhengzhou Glory City (Phase VIII, School)	Mixed-use	11,235	30,535	30,535	—	—	—	80

Project		Project Type	Site Area (sq.m.)	UNDER DEVELOPMENT GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	HELD FOR FUTURE DEVELOPMENT Planned GFA (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained (sq.m.)	Ownership Interest (%)
Shenyang									
1	Shenyang Glory City (Phase III (partial), Phases V to VII)	Mixed-use	270,402	94,511	92,832	52,407	626,050	222,249	80
Foshan									
1	Foshan Guohua New Capital (Phase II)	Residential	16,237	74,666	62,529	46,594	—	—	44
2	Foshan Glory Shengping Commercial Centre	Mixed-use	79,311	351,423	349,913	—	—	—	80
3	Foshan Xiqiao	Residential	63,952	266,083	256,808	—	—	—	80
4	Canglonghuafu(藏瓏華府)	Mixed-use	139,949	271,423	198,347	17,862	575,949	—	35
Xi'an									
1	Glory • Xi'an Financial Center	Mixed-use	19,162	289,978	211,371	2,386	—	—	80
Shantou									
1	Convention Hotel	Mixed-use	28,439	186,799	136,357	40,278	—	—	100
2	Shantou Glory Hospital	Hospital	100,001	360,154	—	—	—	—	100
Shenzhen									
1	Shenzhen • Nanshan	Commercial	20,163	42,763	42,763	—	372,809	—	80
Suzhou									
1	Suzhou Glory Villa	Mixed-use	64,317	240,278	184,927	55,740	—	—	80
Qidong									
1	Chongming Island	Residential	1,211,544	326,079	288,751	213,378	705,758	—	72
2	Butterfly Hotel	Hotel	64,000	53,656	—	—	—	—	100
Ezhou									
1	Ezhou Huarong Market	Specialized markets	333,335	—	—	—	150,000	150,000	55
Wuxi									
1	Glory Luoshe Xincheng (國瑞洛社新城)	Residential	30,726	90,524	66,047	13,286	—	—	39
Tongren									
1	Guorui Zhihui Shengtaicheng Project (國瑞智慧生態城項目)	Mixed-use	780,430	134,250	106,575	13,373	1,738,010	1,738,010	80
Tianjin									
1	Ruichengjiayuan (瑞城嘉園)	Residential	137,816	282,760	259,476	59,059	—	—	35
Chongqing									
1	Elegant Villa (書香溪墅)	Residential	133,437	286,950	245,497	69,025	—	—	51

Project	Project Type	Site Area	GFA Under Development	Saleable/ Rentable GFA	GFA Pre-sold	Planned GFA	GFA of Land Use Rights Certificates Not Yet Obtained	Ownership Interest
			UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT		
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Jiangmen								
1 Shanhuhaizhuangyuan (山湖海莊園)	Mixed-use	407,456	142,906	77,089	25,347	586,734	—	52
Handan								
1 Handan Glory City (邯鄲國瑞城)	Mixed-use	161,736	562,764	482,640	27,001	283,082	—	35
Enping								
1 Sijiquancheng (四季泉城)	Residential	106,091	39,201	—	—	251,512	—	68
2 Wenquancheng (温泉城)	Residential	49,300	—	—	—	98,500	—	68
Sanya								
1 Hongtangwan (紅塘灣)	Mixed-use	96,737	—	—	—	183,318	—	35
Shijiazhuang								
1 Fuguicheng (富貴城) (1)	Mixed-use	431,927	818,502	399,937	164,727	1,059,758	1,059,758	51
Total		7,019,429	6,853,057	5,057,711	1,268,989	8,700,558	3,170,017	
Total Attributable GFA		4,773,103	4,223,144	2,949,652	819,539	5,918,084	2,191,184	

Note:

(1) Projects developed under the "Urban Redevelopment" Policy

The following table sets out a summary of information of the Group's investment properties as of December 31, 2018:

Project	Types of Properties	Total GFA Held for Investment	Leasable GFA	Effective Leased GFA	Total Rental Income	
					2018	2017
		(sq.m.)	(sq.m.)	(sq.m.)	(RMB'000)	(RMB'000)
Beijing Glory City	Shopping mall	84,904	46,366	46,150	251,967	242,810
	Offices	8,520	8,520	6,756		
	Car parking spaces	26,324	26,324	21,779		
	Retail outlets	33,032	29,546	24,724		
	Siheyuan	7,219	7,219	3,825		
Eudemonia Palace	Car parking spaces	3,431	3,431	3,431		
Beijing Fugui Garden	Shopping mall	26,146	26,146	20,212	39,492	39,348
	Retail outlets	3,170	3,170	2,887		
Beijing Hademen Center	Commercial	15,671	14,703	8,926	154,987	4,285
	Offices	75,171	69,830	57,265		
	Car parking spaces	29,040	23,917	—		
Beijing Bei Wu Lou	Offices	10,916	10,916	10,916	23,287	—
Shenzhen • Nanshan*	Offices	42,763	—	—	—	—
Shantou Glory City	Specialized markets	62,398	62,398	61,540	27,579	23,676
Foshan Glory Shengping Commercial Center	Retail outlets	24,267	24,267	13,373	45	—
	Car parking spaces	10,722	10,722	—		
Foshan Glory Shengping Commercial Center*	Retail outlets Car parking spaces	225,531	—	—	—	—
Shenyang Glory City	Specialized markets	50,841	50,841	27,226	6,417	174
	Retail outlets	58,972	58,972	11,283		
Haikou Glory City	Offices	10,545	10,545	9,266	6,417	—
Handan Ruicheng Commercial Building*	Commercial	154,915	—	—	—	—
Total		964,496	487,833	329,559	510,191	310,293

* Projects currently under construction

Completed Properties

The following table sets out a summary of information on the Group's completed projects and project phases as at December 31, 2018:

Project	Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	GFA Available for Sale or Use by Us (sq.m.)	GFA Available for Sale (sq.m.)	GFA Held for Investment (sq.m.)	GFA Sold (sq.m.)	Other GFA (sq.m.)	Ownership Interest (%)
Beijing									
1 Beijing Fugui Garden	Mixed-use	87,075	507,857	48,042	3,463	29,316	421,374	9,125	91
2 Beijing Glory City	Mixed-use	117,473	881,590	63,159	15,715	159,999	640,252	18,180	80
3 Eudemonia Palace	Residential	14,464	33,102	3,431	—	3,431	24,931	1,309	80
4 Beijing Hademen Plaza	Commercial	12,738	140,057	14,817	—	119,882	—	5,358	80
Haikou									
1 Haikuotiankong Glory City	Mixed-use	141,375	811,124	189,800	60,071	10,545	573,420	37,359	80
2 Haidian Island Glory Garden	Residential	65,643	71,863	15,145	874	—	56,137	581	80
3 Glory Riverview Garden	Residential	36,634	21,658	1,922	1,922	—	18,651	1,085	80
4 Haikou West Coast Glory	Residential	34,121	21,971	1,824	1,824	—	18,867	1,281	80
Wanning									
1 Wanning Glory City (Phase I)	Residential	100,780	161,988	10,645	3,293	—	147,769	3,574	80
Langfang									
1 Yongqing Glory City (Phase I (partial), Phases III, V)	Residential	509,049	403,023	30,434	11,801	—	370,332	2,256	80
2 Yongqing Glory City (Phase IV (partial))	Residential	176,023	556,516	159,058	159,058	—	397,458	—	100
Zhengzhou									
1 Zhengzhou Glory City	Mixed-use	472,992	803,762	89,157	12,690	—	669,761	44,844	80

Project	Project Type	Site Area (sq.m.)	Completed GFA (sq.m.)	GFA Available for Sale or Use by Us (sq.m.)	GFA Available for Sale (sq.m.)	GFA Held for Investment (sq.m.)	GFA Sold (sq.m.)	Other GFA (sq.m.)	Ownership Interest (%)
Shenyang									
1 Shenyang Glory City (Phases I to II, Phase III (partial), Phase IV and Phase V (partial))	Mixed-use	357,189	920,895	109,011	43,723	109,813	687,257	14,814	80
Foshan									
1 Foshan Guohua New Capital (Phase I and Phase II (partial))	Residential	104,576	433,501	140,025	110,810	—	239,992	53,485	44
2 Foshan Glory Shengping Commercial Center	Mixed-use	10,920	43,228	376	376	34,989	1,505	6,358	80
3 Canglonghuafu (藏龍華府)	Residential	62,661	231,912	74,961	74,961	—	108,113	48,838	35
Shantou									
1 Shantou Glory City (Phase I)	Mixed-use	50,999	62,398	—	—	62,398	—	—	90
2 Glory Garden (Phase I)	Mixed-use	14,161	33,795	2,146	2,146	—	31,648	—	100
3 Yu Garden	Residential	8,292	25,767	—	—	—	25,767	—	100
4 Star Lake Residence	Residential	3,589	12,132	—	—	—	12,132	—	100
5 Yashi Garden	Residential	9,472	48,054	56	56	—	47,223	776	100
6 Guan Haiju	Residential	25,922	171,450	58,051	23,736	—	113,400	—	100
7 Siji Garden	Residential	42,155	203,549	92,931	92,931	—	68,639	41,979	80
8 Glory Garden (Phase II)	Residential	14,482	78,619	6,650	6,650	—	60,602	11,366	80
Suzhou									
1 Glory Villa	Mixed-use	9,879	36,907	21,850	21,850	—	12,531	2,526	80
Chongqing									
1 Elegant Villa (書香溪墅)	Residential	72,511	141,167	376	376	—	100,875	39,915	51
Total		2,555,175	6,857,885	1,133,867	648,326	530,373	4,848,636	345,009	
Total Attributable GFA		2,019,437	5,416,596	871,990	482,308	433,763	3,886,484	224,359	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at December 31, 2018:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves	Average Land Cost
	Saleable/ Rentable GFA Remaining Unsold (sq.m.)	GFA Under Development (sq.m.)	Planned GFA[(1)] (sq.m.)	Total GFA (sq.m.)	(%)	(RMB/sq.m.)
Beijing	331,806	1,509,593	—	1,841,399	11.1%	15,668.7
Haikou	75,238	109,110	667,680	852,027	5.1%	1,437.3
Wanning	3,293	17,228	173,531	194,052	1.2%	364.4
Langfang	170,859	270,920	1,227,868	1,669,647	10.1%	245.5
Zhengzhou	12,690	30,535	—	43,225	0.3%	405.5
Shenyang	153,535	94,511	626,050	874,096	5.2%	893.4
Foshan	221,134	963,596	575,948	1,760,678	10.4%	2,536.1
Xi'an	—	289,978	—	289,978	1.7%	1,551.8
Shantou	187,917	546,953	—	734,870	4.4%	1,106.6
Shenzhen	—	42,763	372,809	415,572	2.5%	2,039.4
Suzhou	21,850	240,278	—	262,128	1.6%	14,903.3
Chongming Island	—	379,735	705,758	1,085,493	6.5%	1,354.7
Ezhou	—	—	150,000	150,000	0.9%	584.7
Wuxi	—	90,524	—	90,524	0.5%	4,860.6
Tongren	—	134,250	1,738,010	1,872,260	11.2%	501.7
Chongqing	376	286,950	—	287,326	1.7%	387.7
Tianjin	—	282,760	—	282,760	1.7%	2,182.1
Sanya	—	—	183,318	183,318	1.1%	5,002.2
Jiangmen	—	142,906	586,734	729,640	4.3%	539.0
Enping	—	39,201	350,012	389,213	2.3%	219.7
Handan	—	562,764	283,082	845,846	5.1%	400.8
Shijiazhuang	—	818,502	1,059,758	1,878,261	11.2%	371.7
Total	1,178,698	6,853,057	8,700,558	16,732,313	100.0%	2,823.2
Total Attributable GFA	916,071	4,223,144	5,918,084	11,057,299		

Note:

(1) Includes 3,170,017 sq.m. of planned GFA in respect of which the Group had received the confirmation letter on bidding for granting land use rights but had not yet signed the grant contract of relevant land use rights.

The following table sets out a summary of the Group's land reserves by type of properties as at December 31, 2018:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold (sq.m.)	GFA Under Development (sq.m.)	Planned GFA(1) (sq.m.)	Total GFA (sq.m.)	(%)
Residential	465,777	4,346,217	6,623,760	11,435,754	68.3
Commercial for sale	109,000	573,830	1,406,959	2,089,789	12.5
Commercial held or intended to be held for investment	530,373	423,209	—	953,582	5.6
Hotel	—	126,604	101,095	227,699	1.4
Car parking spaces	73,548	630,981	119,338	823,867	4.9
Ancillary	—	369,498	299,406	668,904	4.0
Hospital	—	360,154	—	360,154	2.2
Specialised market	—	—	150,000	150,000	0.9
Others	—	22,564	—	22,564	0.1
Total	1,178,698	6,853,057	8,700,558	16,732,313	100.0
Total Attributable GFA	916,071	4,223,144	5,918,084	11,057,299	

Note:

(1) Includes 3,170,017 s.q.m. of planned GFA in respect of which the Group had received the confirmation letter on bidding for granting land use rights but had not yet signed the grant contract of relevant land use rights.

Primary Land Development, Redevelopment of shanty town and Projects Developed under the "Urban Redevelopment" Policy

Apart from engaging in property development projects, the Group also actively undertakes primary land development projects as a strategic business in order to access potentially available land reserves. During 2018, the Group undertook primary land development, redevelopment of shanty town and projects under the "Urban Redevelopment" policy in Beijing, Chaozhou, Shenzhen and Shantou.

Beijing

Since September 2007, the Group has undertaken a primary land development project in Beijing, namely, the West Qinian Street Project, which is located in the west side of Qinian Street and less than one kilometer from Tiananmen Square with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. As of December 31, 2018, the transfer of the Land No. 1 of the Qixi Project by agreement has been completed; currently, the demolition and relocation of the Land No. 4 has been completed and the completion and acceptance of the same has been confirmed by the relevant housing authority; the demolition and relocation of private properties on the Land No. 5 has been completed, and the remaining two enterprises and institutions are pending for demolition and relocation. At present, 93% of the demolition and relocation of the Qixi Project has been completed, and the remaining private properties, enterprises and institutions to be demolished and relocated are mainly located on the Land No. 2 and the Land No. 3. As of December 31, 2018, the projects under development of the Group incurred development costs of approximately RMB1,073.6 million.

Shantou

Pursuant to the cooperation agreements with local self-governing organizations and enterprises under the "Urban Redevelopment" policy, the Group undertook the development of land parcels in Shantou, which comprises four development projects with a total planned GFA of approximately 4.3 million sq.m. during the first half of 2014. The local self-governing organizations and enterprises have agreed to cooperate in development and construction of the relevant land parcels with the Group after completion of the requisite government procedures under the relevant local regulations. The Group has completed a detailed control plan for two of the development projects. The demolition work has been completed successfully and approval has been obtained from relevant governmental authorities on transformation and distribution solutions, and the Group has begun to develop residential properties. As at December 31, 2018, the Group incurred aggregate preliminary development costs of the remaining two projects of approximately RMB5.7 million.

Chaozhou

During the first half of 2014, the Group undertook a primary land development project in Chaozhou, Guangdong Province, with a planned GFA of 2.9 million sq.m., namely, the Meilin Lake project. The Group has obtained the approval from the local government on preliminary land-use planning, completed preliminary work such as project establishment, project environmental impact assessment, collection of evidence on land ownership and structures thereon (including buildings), and completed the prior notice of the house demolition and relocation of approximately 4,419 mu of land. As of December 31, 2018, the Group incurred preliminary development costs of RMB9.4 million for this project to cover preliminary planning, design and surveying expenses. The Meilin Lake Project is still currently under development.

Shenzhen

In the first half of 2014, Shenzhen Dachaoshan entered into a cooperation agreement with Shenzhen Longgang Xikeng Co., Ltd. (深圳市龍崗區西坑股份合作公司) to carry out urban renewal of the Xikeng community. The planned construction area of the project was about 3 million sq.m.. The Group has completed the census work including the land ownership, residential population and building information in the Xikeng community, industry research, the urban renewal planning research program and consultation. The Phase I Project with a site area of 530,000 sq.m. and a planned GFA of approximately 1.2 million sq.m. had been approved by the meeting of Longgan District Government Leadership Group (龍崗區政府領導小組會) on December 14, 2018 and had completed the planning announcement in respect of the registration of it being included in the "2018 Longgan Distric Urban Renewal Plan – the Ninth Plan" (《二零一八龍崗區城市更新計劃第九批計劃》) on December 30, 2018. Subsequent thereto, the establishment of other projects will be commenced. As of December 31, 2018, the development costs paid by the Group at the early stage in relation to this project were approximately RMB448.6 million.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue was RMB6,612.5 million, representing a decrease of 2.6% from RMB6,787.4 million for the year ended December 31, 2017. This decrease was primarily due to the decreased revenue from property development.

Revenue from property development for the Reporting Period was RMB5,924.6 million, representing a decrease of 7.2% as compared to the year ended December 31, 2017. This decrease was primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2018.

Cost of Sales and Services

The Group's cost of sales and services increased by 10.9% from RMB3,618.5 million in 2017 to RMB4,013.3 million in 2018. This increase was primarily due to the increased cost of property development.

The Group's cost of property development increased by 9.5% from RMB3,471.5 million in 2017 to RMB3,802.0 million in 2018. This increase was primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2018.

Gross Profit

For the Reporting Period, the Group's gross profit was RMB2,599.2 million, representing a decrease of 18.0% from RMB3,168.9 million for the year ended December 31, 2017.The gross profit margin for the reporting period was 39.3%, representing a decrease of 7.4% from 46.7% for the year ended 31 December 2017.

Gross profit of property development was RMB2,122.6 million for the Reporting Period, representing a decrease of 27.1% from RMB2,910.2 million for the year ended December 31, 2017. The gross profit margin of the property development was 35.8%, representing a decrease of 9.8% from 45.6% for the year ended 31 December 2017.

Net Profit Attributable to Owners of the Company

For the Reporting Period, the net profit attributable to owners of the Company was RMB1,008.8 million, representing a decrease of 42.3% from RMB1,749.8 million for the year ended December 31, 2017.

Change in Fair Value of Investment Properties

Change in fair value of investment properties decreased by 5.0% from RMB955.7 million in 2017 to RMB907.8 million in 2018.

Other Gains and Losses

Other gains were RMB67.4 million for the Reporting Period, while other gains were RMB161.2 million for the year ended December 31, 2017, the decrease is mainly due to the exchange gains arising from senior notes in 2017 and the exchange losses in current year.

Other Income

Other income increased by 80.5% from RMB88.2 million for the year ended December 31, 2017 to RMB159.3 million for the Reporting Period, which was mainly due to the recognised return on capital employed with associates and joint ventures for the current year.

Distribution and Selling Expenses

Distribution and selling expenses increased by 6.1% from RMB194.9 million for the year ended December 31, 2017 to RMB206.8 million for the Reporting Period.

Administrative Expenses

Administrative expenses increased by 40.8% from RMB360.7 million for the year ended December 31, 2017 to RMB507.8 million for the Reporting Period, which was primarily due to the increase in real estate tax and depreciation expenses as a result of the completion of Hademen project and part of it was transferred to fixed assets, as well as the increase of compensation as a result of the enlarging scale and increased number of employees of the Group in the current year.

Finance Costs

Finance costs increased by 23.5% from RMB198.7 million for the year ended December 31, 2017 to RMB245.4 million for the Reporting Period, primarily due to the increase amount of borrowings expensed this year as compared to the corresponding period of the previous year.

Income Tax Expense

Income tax expense decreased by 26.1% from RMB1,527.6 million for the year ended December 31, 2017 to RMB1,128.2 million for the Reporting Period, primarily due to the decrease of profit before taxation. The PRC enterprise income tax and land appreciation tax of the Group for the Reporting Period were RMB650.7 million and RMB477.5 million, respectively.

Total Comprehensive Income

Due to the above, the Group's total comprehensive income decreased from RMB2,283.2 million for the year ended December 31, 2017 to RMB1,562.0 million for the Reporting Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at December 31, 2018, the Group's cash, restricted bank deposits and bank balances were approximately RMB1,972.3 million, representing a decrease of 14.9%, as compared to RMB2,318.0 million as at December 31, 2017.

Borrowings

As at December 31, 2018, the Group had outstanding borrowings of RMB23,299.0 million, consisting of bank borrowings of RMB13,968.0 million and trust borrowings which are trust financing arrangements of RMB9,331.0 million.

As at December 31, 2018, the outstanding amount of the Group's borrowings from trust financing arrangements accounted for 40.0% of the balance of the Group's total bank and trust borrowings, compared to 19.4% as at December 31, 2017.

Charge over Assets

Some of the Group's borrowings are secured by properties held for/under development, properties held for sale, investment properties and prepaid lease payments as well as property, plant and equipment and restricted bank deposits, or combinations of the above. As at December 31, 2018, the assets pledged to secure certain borrowing granted to the Group amounted to RMB34,620.6 million.

Financial Guarantees and Contingent Liabilities

In line with market practice, the Group has entered into arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct independent credit checks on the purchasers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at December 31, 2018, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB7,695.0 million.

Save as disclosed in this report, the Group had no other material contingent liabilities as at December 31, 2018.

Foreign Exchange Risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. In March 2018, the Company successfully issued US$250.0 million senior notes and successfully issued US$100.0 million two-year senior notes in June 2018. As a result of the issuance of such senior notes, the Group would be subject to foreign currency risk arising from the exchange of Renminbi against U.S. dollars.

In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. The Group does not have a foreign currency hedging policy. However, the Directors will monitor the Group's foreign exchange risk closely and may, depending on the circumstances and trend of foreign currency, consider adopting suitable foreign currency hedging policy in the future.

Material Acquisition and Disposals and Significant Investments

On May 18, 2018, Tongren Guorui Real Estate Development Co., Ltd. (銅仁國瑞房地產開發有限公司), an indirect subsidiary of the Company, won the bid for a land use right of a total of 780,430 sq.m. of land in the central city area of Tongren, Guizhou Province, with a planned GFA of 1,872,260 sq.m. at a total consideration of approximately RMB0.939 billion. The land was for general commercial residential use.

As a strategic step to explore potential development in new cities, on April 27, 2018 and November 23, 2018, the Group decided to increase its shareholding in the following companies and enter into the capital contribution agreements with the following companies (together with its shareholders) to make further capital contributions in the companies set out below. Upon completion of the capital contribution agreements, the financial results of each company will be consolidated into the Group. The acquisition was recorded as business combination and the following companies were recorded as non-wholly-owned subsidiaries of the Company as at December 31, 2018.

Name of Subsidiaries	Capital Contribution in the Reporting Period	Proportion of Ownership Interest by the Group	
		December 31,	December 31,
	RMB'000	2017	**2018**
Jiangmen Yinghuiwan Real Estate Co., Ltd.* (江門映暉灣房地產有限公司)	170,169	10%	**52%**
Guangdong Hongtai Guotong Real Estate Co., Ltd.* ("**Guangdong Hongtai Guotong**") (廣東宏泰國通地產有限公司)	366,980	10%	**35%** Note
Guangdong Guosha Real Estate Co., Ltd.* (廣東國廈地產有限公司)	46,770	10%	**68%**
Tianjin Tianfu Rongsheng Real Estate Development Co., Ltd.* (天津天富融盛房地產開發有限公司) ("**Tianjin Tianfu Rongsheng**")	171,060	10%	**35%** Note
Sanya Jingheng Properties Co., Ltd.* (三亞景恒置業有限公司) ("**Sanya Jingheng**")	253,820	10%	**35%** Note
Handan Guoxia Real Estate Development Co., Ltd.* (邯鄲市國夏房地產開發有限公司) ("**Handan Guoxia**")	87,220	10%	**35%** Note
Chongqing Guosha Real Estate Development Co., Ltd.* (重慶國廈房地產開發有限公司)	72,580	10%	**51%**
Shijiazhuang Guosha Real Estate Development Co., Ltd.* (石家莊國廈房地產開發有限公司)	356,100	0%	**51%**

Note: Upon completion of the capital contribution agreements, the Group held 35% equity interests of Guangdong Hongtai Guotong, Tianjin Tianfu Rongsheng, Sanya Jingheng and Handan Guoxia. According to the articles of association of these entities, the Group has 67% voting rights in the shareholders' meeting and has right to appoint 2 out of 3 directors in the board of directors of these entities. Resolutions in shareholders' meeting of these entities are passed by more than two-thirds voting rights and in the board of directors of these entities are passed by majority votes. Therefore, the Directors concluded that the Group has control over those entities.

Save as disclosed in this report, the Group did not have any other material acquisition and disposal and significant investment during the Reporting Period.

* *For identification purpose only.*

Future Plans for Material Investments or Capital Assets

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement and in the prospectus of the Company dated June 23, 2014 (the "**Prospectus**") the Group did not have any future plans for material investments or capital assets as at the date of this announcement.

Employees and Remuneration Policies

As at December 31, 2018, the Group had approximately 1,550 employees. For the Reporting Period, the Group incurred employee costs of approximately RMB399.7 million. Remuneration for the employees generally includes salary and performance-based quarterly bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On February 28, 2019, the Company successfully issued US$160,000,000 13.5% senior notes due 2022 listed on the Stock Exchange. Further details of the issue of senior notes were disclosed in the announcements of the Company dated February 26, 2019 and February 27, 2019.

On March 18, 2019, the Company successfully issued additional US$295,000,000 13.5% senior notes due 2022 listed on the Stock Exchange. Further details of the issue of senior notes were disclosed in the announcements of the Company dated March 8, 2019, March 13, 2019 and March 15, 2019.

On March 1, 2019, the Company completed the full redemption of the US$250,000,000 10.2% senior notes due March 1, 2019 ("**March 1, 2019 Notes**") with cash. The aggregate redemption price is equivalent to the principal amount of the March 1, 2019 Notes plus accrued interest to the maturity date. Further details of the full redemption of the March 1, 2019 Notes were disclosed in the announcements of the Company dated February 26, 2019 and March 1, 2019.

On March 21, 2019, the Company completed the full redemption of the US$300,000,000 7% senior notes due 2020 ("**2020 Notes**") of those holders of the 2020 Notes who exercised their redemption options with cash. Further details of the full redemption of the 2020 Notes of those holders of the 2020 Notes who exercised their redemption options were disclosed in the announcements of the Company dated March 7, 2019, March 18, 2019 and March 21, 2019.

FINAL DIVIDEND

The Board proposed the payment of a final dividend of HK5.64 cents per share, totalling HK$250,665,000 (equivalent to RMB220,000,000), to Shareholders whose names appear on the register of members of the Company on June 4, 2019. The proposed final dividend will be paid no later than June 20, 2019 after approval by Shareholders at annual general meeting of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

EXECUTIVE DIRECTORS

Mr. Zhang Zhangsun (張章笋) or Chairman Zhang, aged 62, is the founder of the Group and one of the Controlling Shareholders. Chairman Zhang also serves as executive Director, president and the chairman of the Nomination Committee of the Company and as chairman of Beijing Glory Xingye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司) ("**New Beijing Glory**"). Chairman Zhang has over 20 years of experience in real estate development, management and operation. He established our Group in April 1994 and has since led the Group in its development of real estate projects. Before he established our Group, Chairman Zhang used to work in the Shantou Commodities Bureau from 1980 to 1987. Chairman Zhang is also a member of the Chinese People's Political Consultative Committee of Beijing Municipality, a member of the standing committee of the Chinese People's Political Consultative Committee of Dongcheng District of Beijing, a representative of the National People's Congress of Shantou Municipality, an executive committee member and the vice chairman of Real Estate Chamber of Commerce of the All-China Federation of Industry and Commence and the chairman of Chaoshan Chamber of Commerce in Beijing. He graduated from high school in Shantou in July 1969.

Mr. Ge Weiguang (葛偉光), aged 54, serves as executive Director and vice president of the Company and as the director of New Beijing Glory. Mr. Ge joined the Group in September 2008 and has since served as vice president of Beijing Glory Xingye Real Estate Co., Ltd* (北京國瑞興業地產股份有限公司) ("**Original Beijing Glory**"). Before joining us, he successively served as the deputy section chief of Daxilin Iron Mine of Xilin Steel Group Co., Ltd.* (西林鋼鐵公司大西林鐵礦), a steel manufacturing company, from August 1984 to June 1990, primarily responsible for the financial management; the deputy section chief of Heilongjiang Aluminum Foil Factory* (黑龍江鋁箔廠), an aluminum processing company, from June 1990 to June 1992, primarily responsible for the financial management; the assistant to president and deputy chief accountant of Orient Holding Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600811) engaged in various businesses including, among others, banking and financing businesses and precious mineral resources exploration and extraction businesses, from June 1992 to September 1995, responsible for general management of the company's accounting and financing affairs; the vice president and chief financial officer of Jinzhou Port Co., Ltd., a listed company on the Shanghai Stock Exchange (A share stock code: 600190, B share stock code: 900952) mainly engaged in port and transportation businesses, from September 1995 to April 2001, primarily responsible for accounting, investment and financing and listing affairs; the vice president and chief financial officer of Jitong Network Communications Limited* (吉通通信網絡股份有限公司), a telecommunication company, from April 2001 to December 2002, primarily responsible for accounting, investment and financing and listing affairs; and the executive vice president of Oriental Garden Properties Limited* (東方家園置業有限公司), a building materials trading company, from December 2002 to April 2007, primarily responsible for assisting the president in the company's daily operation and management. Mr. Ge was awarded the qualification of accountant by the Metallurgical Industry Department of Heilongjiang Province in November 1991. He obtained a Bachelor's degree in industrial finance and accounting in August 1984 and a Master's degree in management science and engineering in July 1999 from Harbin Institute of Technology.

Ms. Ruan Wenjuan (阮文娟), aged 40, the spouse of Chairman Zhang, serves as executive Director, vice president, a member of the Remuneration Committee, a member of the Internal Control Committee of the Company and as director of New Beijing Glory. Ms. Ruan joined the Group in January 2000 and was responsible for financial management related work in Shantou Garden Group Co., Ltd.* (汕頭花園集團有限公司) ("**Garden Group**"). She successively served as the financial manager and chief financial officer in Original Beijing Glory since 2004. In August 2006, Ms. Ruan was appointed as a director and vice president in Original Beijing Glory and was primarily responsible for the cost management and financial management affairs of our Group. Ms. Ruan completed the real estate EMBA program from Tsinghua University in September 2004.

Ms. Zhang Jin (張瑾), aged 35, the daughter of Chairman Zhang, serves as executive Director and vice president of the Company and as director of New Beijing Glory. Ms. Zhang joined the Group in August 2006 and served as the assistant to the chairman of Original Beijing Glory. Since August 2008, Ms. Zhang served as the vice president of Original Beijing Glory, primarily responsible for the management and operation of commercial properties. She is also the executive director of Beijing Glory Industrial Commercial Management Limited* (北京國瑞興業商業管理有限公司) ("**Glory Commercial Management**") and chairman of Beijing Yinhe Glory Commercial Investment Co., Ltd.* (北京銀和國瑞商業投資有限公司). Ms. Zhang graduated from Holmes Institute in Australia majoring in business administration in August 2007. She also participated in the international real estate advanced leadership program in Harvard University in May 2007, the globalized city and real estate operator course in The University of Hong Kong in January 2008 and the entrepreneur development program in globalization in University of Cambridge in April 2008. Ms. Zhang was awarded "China Real Estate Top Hundred Person" (中國房地產百傑) by CIHAF China Real Estate Mainstream Media Alliance (CIHAF中國房地產主流媒體聯盟) in 2008, "China Shopping Mall Centre Top Professional of Year 2010" (中國購物中心2010年度職業精英) by PURCHASING Union Mall Development Committee (中購聯購物中心發展委員會) in 2010 and "China Commercial Properties Influential Person" (中國商業地產影響力人物) by China Commercial Real Estate Industry Development Forum (中國商業地產行業發展論壇) in 2013. Ms. Zhang is also a vice chairman of Chamber of Commerce of Dongcheng District of Beijing, council of China Commercial Real Estate Association, vice chairman of China International SME Union and member of the Chinese People's Political Consultative Committee of Dongcheng District of Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luo Zhenbang (羅振邦), aged 52, serves as independent non-executive Director, chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Internal Control Committee of the Company. Mr. Luo was appointed as an independent non-executive Director of the Company on July 5, 2013. Mr. Luo is the director and managing partner of BDO China Shu Lun Pan CPAs. He has been an independent non-executive director of China Aerospace International Holding Limited (a company listed on the Stock Exchange, stock code: 00031) since December 2004, and an independent director of BII Railway (a company listed on the Stock Exchange, stock code: 1522) since November 2012, Xinjiang Goldwind Science & Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 2208) and Shenzhen Stock Exchange (stock code: 002202)) since June 2013 and Digital China Information Service Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000555) since January 2014, respectively. Mr. Luo used to worked successively in several accounting firms, namely Ningxia CPAs* (寧夏會計師事務所), Zhongzhou CPAs* (中洲會計師事務所), Zhong Tian Xin CPAs* (中天信會計師事務所) and Tianhua CPAs* (天華會計師事務所) before he joined BDO China Shu Lun Pan CPAs in May 2008. He also used to serve as a supervisor in China Cinda Asset Management Co., Ltd. from January 2001 to December 2002 and China Greatwall Asset Management Co., Ltd. from January 2003 to December 2004. He was also an independent director of Ningxia Zhongyin Cashmere Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 982) between 2001 to 2004, Long March Launch Vehicle Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600879) between 2002 to 2008, Ningxia Orient Tantalum Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 962) between 2002 to 2005, Wuzhong Instrument Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 862) between 2004 to 2005 and AVIC Heavy Machinery Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600765) between 2010 to 2011, respectively. Mr. Luo was awarded professional qualifications as a certified public accountant by the MOF in January 1995 and a certified accountant in securities and futures industry by the MOF and CSRC in July 1997. He graduated from the School of Business of Lanzhou in June 1991 majoring in Enterprise Management and obtained the Master's degree in enterprise management and innovation from the Australia National University in July 2007.

Mr. Lai Siming (賴思明), aged 61, serves as independent non-executive Director, chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Lai was appointed as independent non-executive Director of the Company on July 5, 2013. Mr. Lai has been the member of the Royal Institution of Chartered Surveyors since June 1983 and the member of the Hong Kong Institute of Surveyors since August 1984. In April 1999, Mr. Lai became the fellow member of the Hong Kong Institute of Surveyors. Mr. Lai is a professional surveyor and has considerable experience in the property field. Between September 1980 to February 1994 and August 1997 to June 2002, Mr. Lai was working in Knight Frank (known as F.Y.Kan & Partners in 1980), an international property consultant firm, offering property consulting services. Mr. Lai is an independent non-executive director of Asia Commercial Holdings Limited (a company listed on the Stock Exchange, stock code: 104) since August 1998. Mr. Lai was also an independent non-executive director of The Sun's Group Limited (a company listed on the Stock Exchange, stock code: 988) from May 2002 to March 2003. Mr. Lai served as the Vice Chairman, General Practice Division of the Hong Kong Institute of Surveyors for two years (GPD Council 2001-2003). Mr. Lai obtained a Master's degree in business administration from The Chinese University of Hong Kong in November 2001.

Ms. Chen Jingru (陳靜茹), aged 54, serves as independent non-executive Director, chairman of the Internal Control Committee and a member of the Audit Committee of the Company. Ms. Chen was appointed as independent non-executive Director of the Company on June 5, 2014. Ms. Chen is the global partner of DeHeng Law Offices. Ms. Chen has been working in DeHeng Law Offices since 1993 and has extensive experience in the corporate and securities aspects. Ms. Chen was awarded her professional qualification as a lawyer conferred by the Lawyer Qualification Committee of the PRC Ministry of Justice in March 1993. She obtained a Bachelor's degree majoring in law in July 1985 and a Master's degree majoring in law in December 1990 from Nankai University.

SENIOR MANAGEMENT

Mr. Dai Jie (戴傑), aged 50, serves as the vice president of the Company. Mr. Dai joined the Group in November 2011 and has successively served as the regional manager of Hainan Region and the director of the group operation and construction management center. Mr. Dai has more than 13 years of experience in development, operation and construction management. Before joining the Group, Mr. Dai successively served as the director of construction department of New World China Land (Beijing) Limited* (香港新世界中國地產有限公司北京公司) from December 2001 to June 2010, responsible for the project development; and deputy general manager of Beijing Xinjingrun Property Co., Ltd.* (北京新京潤房地產有限公司) from July 2010 to November 2011, responsible for project development. Mr. Dai was awarded the professional qualification as an engineer by China Railway Group Limited in June 2008. He obtained a Bachelor's degree in industrial and civil construction from Beijing University of Technology in July 1993.

Mr. Hao Zhenhe (郝振河), aged 64, serves as the vice president of the Company and as general manager of Langfang Glory Investment Co., Ltd.* (廊坊國瑞投資有限公司) ("**Langfang Glory**"). Mr. Hao joined the Group in July 2001 and has successively served as the head of the general office and head of the planning and development department of Original Beijing Glory, the general manager of Beijing Glory Property Services Co., Ltd*. (北京國瑞物業服務有限公司) ("**Glory Services**") and vice president of Original Beijing Glory. Before joining the Group, Mr. Hao worked at the International Liaison department of the Chinese Communist Party Central Committee from April 1971 to April 2001. Mr. Hao obtained a college degree in journalism from the college of journalism of All-China Journalists Association* (中國記協新聞學院) in July 1992.

Mr. Lin Yaoquan (林耀泉), aged 52, Chairman Zhang's brother-in-law, serves as the vice president of the Company. Mr. Lin joined the Group in August 2004 and has served as the vice president and regional general manager of Shantou Region of Original Beijing Glory since 2009. Before joining the Group, Mr. Lin served as a clerk of the import and export department of Shantou Jinming Wujin Material Co., Ltd. (汕頭金明五金材料有限公司) ("**Jinming Wujin**") from April 1989 to May 1993, responsible for daily operation of the import and export department; the manager of the import and export department of Shantou Jinming Development Company* (汕頭金明發展公司) from June 1993 to February 1998, responsible for daily operation of the import and export department; general manager of Chaozhou Caitang Yaolong Stainless Steel Products Co., Ltd.* (潮州彩塘耀隆不銹鋼製品有限公司) from July 1998 to March 2004, responsible for overall management of this company. He has also been the general manager of Shantou Industrial Materials Exchange Center* (汕頭工業材料交易中心) since 2004.

Mr. Li Bin (李斌), aged 47, serves as the vice president of the Company and as the chairman of Beijing Glory. Mr. Li joined the Group in July 1997 and successively served as the procurement manager, sales manager and public relationship manager of Garden Group and the deputy general manager of Hainan Glory Real Estate DevelopmentCo., Ltd.* (海南國瑞房地產開發有限公司) ("**Hainan Glory**"). He has worked in Original Beijing Glory since 2002 and successively served as the secretary to the chairman and the assistant to the chairman. Mr. Li is also the vice chairman of Qianmen Branch of Dongcheng District of Beijing Federation of Industry & Commence, the member of the Youth Federation of Dongcheng District of Beijing, a director and deputy secretary-general of Chaoshan Chamber of Commerce in Beijing. Mr. Li completed business administration programme from International Business University of Beijing in July 2006.

Mr. Sun Xiaodong (孫曉東), aged 49, serves as the vice president of the Company. Mr. Sun joined the Group in 2014 and has over 10 years of experience in project management and real estate operation. Before joining the Group, Mr. Sun served in renowned property companies such as Tsinghua Tongfang Nuclear Technology Limited* (清華同方核技術股份有限公司), Longfor Properties Co., Ltd (龍湖地產有限公司) and HKI China Land (香江國際中國地產有限公司). Mr. Sun obtained a Bachelor's degree in business administration from Renmin University of China and held qualifications as a senior engineer, a PRC certified budgeting specialist and a real estate valuer.

Ms. Dong Xueer (董雪兒), aged 41, serves as the chief financial officer of the Company. Ms. Dong joined the Group in October 1997 and successively served as the general accountant in Shantou Glory Management Limited (汕頭國瑞企業管理有限公司) ("**Glory Management**") from October 1997 to January 2003, account officer in Original Beijing Glory from February 2003 to July 2008 and chief financial officer in Shenyang Dadongfang Property Development Co., Ltd.* (瀋陽大東方置業有限公司) ("**Shenyang Dadongfang**") from August 2008 to February 2010. Since March 2010, Ms. Dong has served as the chief financial officer in Original Beijing Glory, responsible for its overall financial management, including but not limited to fund management, loan management, asset management and accounting computations. Ms. Dong obtained a college degree in accounting from the University of International Business and Economics in July 2006.

Ms. Tian Yanchun (田燕春), aged 47, serves as the assistant to the Chairman of the Company. Ms. Tian joined the Group in April 2005 and successively served as the financial manager, chief financial controller, director of the auditing center, head of the bidding and procurement center of Original Beijing Glory, responsible for the bidding and procurement affairs. Before joining the Group, she served as the cost engineer in Beijing Vanke Co., Ltd.* (北京萬科企業有限公司), a real estate development company, from September 1998 to September 2004, responsible for cost management. Ms. Tian was awarded the qualification as a certified cost engineer by Beijing Municipal Bureau of Personnel in October 2005. She obtained a Bachelor's degree in civil defense engineering construction from Institute of Engineering Corps, PLA University of Science* (中國人民解放軍理工大學工程兵工程學院) in July 1994.

Ms. Liu Wenling (劉文玲), aged 46, serves as the vice president of the Company and joined the Group in February 2017. Ms. Liu is primarily responsible for tender procurement and cost management and has more than 10 years of experience of cost management in real estate company. Prior to joining the Group, Ms. Liu was responsible for the recruitment and cost management of several well-known real estate companies such as Jinmao Group, Minmetals Land Limited, Forte Group and Beijing Sunshine 100 Real Estate Group Co., Ltd. (北京陽光壹佰置業集團有限公司). She obtained a bachelor's degree in environmental engineering from East China University of Science and Technology in July 1995.

Mr. Yan Shuang (閆雙), aged 37, serves as the assistant to the Chairman of the Company. Mr. Yan joined the Group in March 2004 and has since successively served as various positions in our Group, namely the security head of Glory Xingye (Beijing) Industrial Co., Ltd.* (國瑞興業(北京)實業股份有限公司) ("**Glory Industrial**") from March 2004 to February 2005; the deputy general manager of Glory Services from February 2005 to September 2009; the deputy general manager of Beijing Glory Industrial Commercial Management Limited from September 2009 to March 2012; and the assistant to the chairman and the director of the president office of Original Beijing Glory since March 2012. Mr. Yan was awarded a certificate in property management in June 2011 by Beijing Municipal Commission of Housing and Urban-Rural Development. He is pursing a college degree in business administration at the School of Network and Continuing Education of Xidian University.

Ms. Zheng Jin (鄭瑾), aged 36, serves as the board secretary and joint company secretary of the Company. Ms. Zheng joined the Group in January 2010 and has served as the vice president of the capital and financial management center and the operation and construction management center of Original Beijing Glory since October 2010 and February 2013, respectively. Before joining the Group, she served as the assistant manager in KPMG Huazhen (special general partnership) from July 2007 to January 2010, responsible for auditing. Ms. Zheng was awarded the qualification as a certified public accountant by the Chinese Institute of Certified Public Accountants in August 2009. She obtained a Bachelor's degree in engineering management in July 2004 and a Master's degree in finance in June 2007 from Central University of Finance and Economics.

JOINT COMPANY SECRETARIES

Ms. Zheng Jin (鄭瑾), aged 36, serves as the Company's joint company secretary. Please refer to the section headed "Directors' and Senior Management's Profiles".

Ms. Kwong Yin Ping Yvonne (鄺燕萍), serves as our joint company secretary of the Company. Ms. Kwong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a specialty corporate services provider focusing on the provision of listing company secretarial and compliance services. She holds a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University and is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies.

REPORT OF THE DIRECTORS

The Board is pleased to present its annual report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are property development, primary land construction and development services, property investment and management in China. An analysis of the Group's revenue for the Reporting Period by principal activities is set out in note 5 and note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business and a discussion and analysis of the Group's performance for the Reporting Period and the material factors underlying its financial performance and financial position can be found in the "Management Discussion and Analysis" section on pages 228 to 243 in this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on page 223 of this annual report. The above sections form part of this report. The financial risk management objectives and policies of the Group are set out in note 50 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes its responsibility to protect the environment from its business activities. Being a real estate operator and developer in the PRC, the Group is subject to environmental laws and regulations set by the PRC national, provincial and municipal governments, including but not limited to laws and regulations on air and noise pollution and discharge of waste and water into the environment.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. For the Reporting Period, to the best knowledge of the Directors, the Group has complied with all of the relevant laws and regulations in the PRC and Hong Kong which have significant impact on the operations of the Group, including but not limited to the Company Law of the PRC, the Hong Kong Securities and Futures Ordinance (Cap. 571) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

PRINCIPAL RISKS AND UNCERTAINTIES

Risk relating to the real estate industry in the PRC

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC real estate market through industry policies and other economic measures at the national, provincial, municipal and/or local level. The Group mainly operates in the PRC and such measures may affect the Group's financial condition or results of operations.

Risk relating to foreign exchange

Substantially all of the Group's revenues and expenditures are dominated in Renminbi, while any dividends the Group pays on its Shares will be in Hong Kong dollar. The value of Renminbi against the U.S. dollar or the Hong Kong dollar may fluctuate and is affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Group did not have any significant foreign currency transactions which would expose the Group to foreign exchange risk during the year. The Group has not taken any measures to hedge the foreign currency exposure but will review and monitor its foreign exchange exposure from time to time.

RELATIONSHIPS WITH STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise our Directors, senior management, employees, customers, suppliers, regulators and shareholders.

Directors, senior management and employees

Our success is attributable to the ongoing service, performance, expertise and experience of our Directors and senior management. Moreover, our qualified and skilled employees have further contributed to our continual success. Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are individual purchasers for residential properties and various types of corporations and other business entities for commercial properties. The Group is committed to provide quality services and products to customers while maintaining long-term profitability, business and earnings growth. Various means have been established to strengthen the communications between customers and the Group in the provision of excellent customer service.

Suppliers

Sound relationships with key suppliers of the Group are important in supply chain, premises or land parcels management, properties construction and meeting business challenges and regulatory requirements. The key suppliers of the Group comprise construction material and equipment suppliers, construction contractors and design firms.

Regulators

The Group operates in the real estate sector in the PRC which is regulated by the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development, Beijing Municipal Commission of Urban Planning and other relevant regulators. It is the Group's desire to keep up to date and ensure compliance with new rules and regulations.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

FUTURE BUSINESS DEVELOPMENTS

The future business developments are set out in the Chairman's Statement on pages 224 to 227 of this annual report. The Chairman's Statement forms part of this report.

SEGMENT INFORMATION

An analysis of the performance of the Group for the Reporting Period by principal activities is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 290.

The Board proposed the payment of a final dividend of HK5.64 cents per share, totalling HK$250,665,000 (equivalent to RMB220,000,000), for the Reporting Period to shareholders whose names appear on the register of members of the Company on June 4, 2019. The proposed final dividend will be paid no later than June 20, 2019 after approval by Shareholders at annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on May 28, 2019 ("**AGM**"), the register of members of the Company will be closed from May 22, 2019 to May 28, 2019, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 21, 2019.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from June 1, 2019 to June 4, 2019, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, May 31, 2019.

FINANCIAL SUMMARY

A summary of the financial results and of the assets, liabilities and equity of the Group for the last five financial years is set out on page 443 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of change during the Reporting Period in the share capital and share options of the Company are set out in note 41 and note 43, respectively, to the consolidated financial statements.

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group for the Reporting Period are set out in note 16 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group for the Reporting Period are set out in the consolidated statement of changes in equity on pages 294 to 296 of this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2018, the Company's distributable reserves were RMB777.5 million.

BANK LOANS AND TRUST BORROWINGS

Particulars of bank loans and trust borrowings of the Group as at December 31, 2018 are set out in note 38 to the consolidated financial statements.

PROFILES OF DIRECTORS AND JOINT COMPANY SECRETARIES

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

Executive directors:
Mr. Zhang Zhangsun (Chairman)
Mr. Ge Weiguang
Ms. Ruan Wenjuan
Ms. Zhang Jin

Independent non-executive directors:
Mr. Luo Zhenbang
Mr. Lai Siming
Ms. Chen Jingru

The executive directors and independent non-executive Directors are appointed for a period of three years.

Profiles of the Directors and the Joint Company Secretaries of the Company are set out on pages 244 to 249 of this annual report. At the AGM, Mr. Luo Zhenbang, Ms. Chen Jingru and Mr. Ge Weiguang shall retire and being eligible, shall offer themselves for re-election.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favor, or in which he/she is acquitted.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group. For the Reporting Period, no claim had been made against the Directors, auditors or officers of the Company.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules for the Reporting Period.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of Listing and may be terminated in accordance with the respective terms of the service contract.

Each of the independent non-executive Directors is appointed for initial term of three years commencing from the date of Listing and may be terminated in accordance with the respective terms of the appointment letter.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Saved as disclosed in the sections headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed for the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, purchases from the Group's largest supplier accounted for approximately 21.1% of the Group's total purchases and the five largest suppliers of the Group accounted for less than 30.0% of the Group's total purchase in the year.

For the Reporting Period, sales to the Group's largest customer accounted for approximately 1.8% of the Group's total revenue and the five largest customers of the Group accounted for less than 30.0% of the Group's total revenue in the year.

None of the Directors of the Company or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which were required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Chairman Zhang[1]	Interest of a controlled corporation	3,685,752,950	82.93%
Ruan Wenjuan	Interest of a controlled corporation	3,685,752,950	82.93%

Note (1): Alltogether Land Company Limited ("**Alltogether**") is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the Shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of the Company, is the spouse of Chairman Zhang, Ms. Ruan Wenjuan is also deemed to be interested in the Shares held by Alltogether under the SFO.

(b) Interest in the underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares in the Company subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of interest in the Company
Ge Weiguang	Beneficial owner	3,500,000	0.079%
Ruan Wenjuan*	Beneficial owner	3,500,000	0.079%
Zhang Jin	Beneficial owner	3,500,000	0.079%

* As Chairman Zhang is the spouse of Ms. Ruan Wenjuan, Chairman Zhang is deemed to be interested in the above underlying Shares held by Ms. Ruan Wenjuan.

(c) Interest in shares of associated corporation

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Chairman Zhang	Beneficial owner	Alltogether	100%

(d) Interest in debentures of the Company

(i) Senior notes due 2020, with principal amount in aggregate of US$300,000,000 and interest per annum of 7% ("**2020 US dollar Notes**")

Director	Nature of interest	Amount of debentures of the Company held	Approximate percentage of interest of 2020 US dollar Notes as at December 31, 2018
Chairman Zhang(1)	Interest of a controlled corporation	US$2,000,000	0.67(2)
Ruan Wenjuan	Interest of spouse	US$2,000,000	0.67(2)

Notes:

(1) Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the debentures held by Alltogether.

(2) Proportionate interests is calculated based on the principal amount in aggregate of 2020 US dollar Notes.

(ii) Senior notes due 2019, with principal amount in aggregate of US$250,000,000 and interest per annum of 10.2% ("**2019 US dollar Notes**")

Directors	Nature of interest	Amount of debentures of the Company held	Approximate percentage of interest of 2019 US dollar Notes as at December 31, 2018
Chairman Zhang[1]	Interest of a controlled corporation	US$200,000	0.08[2]
Ruan Wenjuan	Interest of spouse	US$200,000	0.08[2]

Notes:

(1) Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the debentures held by Alltogether.

(2) Proportionate interests is calculated based on the principal amount in aggregate of 2019 US dollar Notes.

All interests in the shares and underlying shares of the Company and its associated corporation are long positions.

Save as disclosed above, as at December 31, 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITION SHARES

As at December 31, 2018, the following persons had an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in Shares of the Company

Name of substantial shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Chairman Zhang[1]	Interest of a controlled corporation	3,685,752,950	82.93%
	Interest of a child under 18 or spouse	3,500,000	0.079%
Alltogether	Beneficial owner	3,245,755,570	73.03%
	Others[2]	439,997,380	9.90%
China Create Capital Limited	Beneficial owner	266,665,078	6.00%

Note (1): Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the Shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of the Company, is the spouse of Chairman Zhang, Chairman Zhang is deemed to be interested in the underlying shares held by Ms. Ruan Wenjuan and Ms. Ruan Wenjuan is also deemed to be interested in the Shares held by Alltogether under the SFO.

Note (2): According to Sections 317 and 318 of the SFO (Cap. 571), Alltogether is deemed to be interested in the shares held by China Create Capital Limited and New Merit Group Limited.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the transaction as disclosed in the section "Connected Transactions" below and the material related party transactions as disclosed in note 52 to the consolidated financial statements of this annual report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's holding company or any of its subsidiaries was a party, and in which a Director or its connected entities or any of the controlling shareholders of the Company had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time for the Reporting Period.

ISSUANCE OF SENIOR NOTES

On February 27, 2018, the Company and certain existing non-Chinese subsidiaries of the Group that provide guarantees for the notes entered into the Purchase Agreement with Credit Suisse (Hong Kong) Limited, Morgan Stanley & Co. International plc, Haitong International Securities Company Limited, Standard Chartered Bank, Guotai Junan Securities (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited, BOCI Asia Limited, China Merchants Securities (HK) Co., Ltd., China Securities (International) Corporate Finance Company Limited, VTB Capital plc, ABCI Capital Limited and Mizuho Securities Asia Limited in relation to the issue of US$250,000,000 10.2% senior notes due 2019. The estimated net proceeds of the notes issue, after deduction of underwriting discounts and commissions and other estimated expenses in connection with the notes issue, will amount to approximately US$246 million, which the Company intends to use for refinancing certain of the existing indebtedness of the Company and for general working capital purposes of the Company.

On May 31, 2018, the Company and certain existing non-chinese subsidiaries of the Group that provide guarantees for the notes entered into the Purchase Agreement with the Haitong International Securities Company Limited in relation to the issue of US$100,000,000 10.0% senior notes due 2020. The estimated net proceeds of the notes issue, after deduction of underwriting discounts and commissions and other estimated expenses in connection with the notes issue, will amount to approximately US$98.2 million, which the Company intends to use for refinancing certain of the existing indebtedness of the Company and for general working capital purposes of the Company.

Further details on the issuance of senior notes were disclosed in the announcements of the Company dated February 2, 2018, February 28, 2018, March 2, 2018, May 31, 2018, June 1, 2018 and June 7, 2018.

CONNECTED TRANSACTIONS

1. CAPITAL CONTRIBUTIONS IN SEVEN REAL ESTATE PROJECT COMPANIES

On August 31, 2017, Garden Group, an indirect wholly-owned subsidiary of the Company, will make capital contributions in Guangdong Hongtai Guotong Real Estate Co., Ltd.* (廣東宏泰國通地產有限公司) ("**Guangdong Hongtai Guotong**"), Guangdong Guosha Real Estate Co., Ltd.* (廣東國廈地產有限公司) ("**Guangdong Guosha**"), Tianjin Tianfu Rongsheng Real Estate Development Co., Ltd.* (天津天富融盛房地產開發有限公司) ("**Tianjin Tianfu Rongsheng**"), Sanya Jingheng Properties Co., Ltd.* (三亞景恒置業有限公司) ("**Sanya Jingheng**"), Handan Guoxia Real Estate Development Co., Ltd.* (邯鄲市國夏房地產開發有限公司) ("**Handan Guoxia**") and Chongqing Guosha Real Estate Development Co., Ltd.* (重慶國廈房地產開發有限公司) ("**Chongqing Guosha**") and make acquisition in Jiangmen Yinghuiwan Real Estate Co., Ltd.* (江門映暉灣房地產有限公司) ("**Jiangmen Yinghuiwan**") (the above seven companies are collectively referred to as the "**Target Companies**"). Upon completion of the abovementioned transactions, Garden Group directly holds 10% equity interest in each of the Target Companies.

On April 27, 2018, the Company decided to increase its shareholding in the Target Companies, and signed seven Capital Contribution Agreements with the Target Companies and their original shareholders, respectively, to (i) acquire 10% equity interest held by Garden Group in the Target Companies; (ii) make further capital contributions in the Target Companies; and (iii) cooperate in their real estate projects. Upon completion of the Capital Contribution Agreements, the financial results of each of the Target Companies will be consolidated into those of the Group. The specific capital contribution and shareholding situation are as follows:

Name of Subsidiaries	Capital Contribution in the Reporting Period RMB'000	Proportion of Ownership Interest by the Group December 31, 2017	December 31, 2018
Jiangmen Yinghuiwan	170,169	10%	52%
Guangdong Hongtai Guotong	366,980	10%	35%[Note]
Guangdong Guosha	46,770	10%	68%
Tianjin Tianfu Rongsheng	171,060	10%	35%[Note]
Sanya Jingheng	253,820	10%	35%[Note]
Handan Guoxia	87,220	10%	35%[Note]
Chongqing Guosha	72,580	10%	51%

Note: Upon completion of the capital contribution agreements, the Group held 35% equity interests of Guangdong Hongtai Guotong, Tianjin Tianfu Rongsheng, Sanya Jingheng and Handan Guoxia. According to the articles of association of these entities, the Group has 67% voting rights in the shareholders' meeting and has right to appoint 2 out of 3 directors in the board of directors of these entities. Resolutions in shareholders' meeting of these entities are passed by more than two-thirds voting rights and in the board of directors of these entities are passed by majority votes. Therefore, the Directors concluded that the Group has control over those entities.

As of April 27, 2018, the Target Companies are all companies controlled by Mr. Zhang Zhangqiao. Mr. Zhang Zhangqiao is the younger brother of Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, the Target Companies are all connected persons of the Company and the Capital Contribution Agreements and the transactions contemplated thereunder all constitute connected transactions of the Company.

The applicable highest percentage ratio with respect to the transactions under the Capital Contribution Agreements on an aggregation basis exceeds 5% but is less than 25%. Therefore, these transactions are connected transactions which are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and are discloseable transactions which are subject to the announcement requirement under Chapter 14 of the Listing Rules.

Further details of the connected transaction were disclosed in the announcement of the Company dated April 27, 2018.

2. CAPITAL CONTRIBUTION IN SHIJIAZHUANG GUOSHA REAL ESTATE DEVELOPMENT CO., LTD. ("SHIJIAZHUANG GUOSHA")

On November 23, 2018, Beijing Guoxing Wanxun Technology and Trade Consulting Co., Ltd.* (北京國興萬訊科貿諮詢有限公司) ("Guoxing Wanxun"), an indirect wholly-owned subsidiary of the Company, signed the Subscription and Cooperative Development Agreement with Shijiazhuang Guorui Real Estate Development Co., Ltd.*(石家莊國瑞房地產開發有限公司), the Original Shareholder, and Shijiazhuang Guosha to make capital contribution in Shijiazhuang Guosha and cooperate in the project directly invested by Shijiazhuang Guosha. Pursuant to the Subscription and Cooperative Development Agreement, Guoxing Wanxun will make capital contribution in Shijiazhuang Guosha of RMB356.10 million. Upon completion of the capital contribution, Guoxing Wanxun will directly hold an equity interest of 51% in Shijiazhuang Guosha.

As of November 23, 2018, Guoxing Wanxun is an indirect wholly-owned subsidiary of the Company. Shijiazhuang Guosha is a company controlled by Mr. Zhang Zhangqiao. Mr. Zhang Zhangqiao is the younger brother of Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, Shijiazhuang Guosha is a connected person of the Company and the transaction under the Subscription and Cooperative Development Agreement constitutes a connected transaction of the Company.

The highest applicable percentage ratio with respect to the transaction under the Subscription and Cooperative Development Agreement exceeds 0.1% but is less than 5%. The applicable percentage ratios with respect to the transaction and the related Previous Transactions on an aggregation basis exceed 5% but are less than 25%. The Company has complied with the requirements of discloseable transactions under Chapter 14 of the Listing Rules and requirements of announcement and independent shareholders' approval for connected transactions under Chapter 14A of the Listing Rules with respect to the related Previous Transactions. Therefore, the transaction is subject to the announcement requirement under Chapter 14A of the Listing Rules but is exempted from the independent shareholders' approval requirement.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Entering into the Property Management Services Framework Agreement with Beijing Glory Property Services Co., Ltd.* (北京國瑞物業服務有限公司) ("Glory Services")

On September 20, 2017, the Company and Glory Services entered into the Property Management Services Framework Agreement for the engagement of Glory Services by the Company to provide property management related services. Glory Services is a company controlled by Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, Glory Services is a connected person of the Company, and the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions of the Company. Upon calculation, the applicable highest percentage ratio for the annual cap with respect to the transactions under the Property Management Services Framework Agreement exceeds 0.1% but is less than 5%. Therefore, these transactions are subject to the announcement requirement under Chapter 14A of the Listing Rules but are exempted from the independent shareholders' approval requirement. The total amount of fees charged by Glory Services to the Group for the year ended December 31, 2018 was RMB10.92 million which did not exceed the annual cap of the transactions for 2018 of RMB55.59 million.

Further details of the continuing connected transaction were disclosed in the announcement of the Company dated September 20, 2017.

2. Entering into six Commercial Management Services Agreements with the Commercial Management Services Group (as defined below)

On September 20, 2017, the members of the Group and Beijing Glory Industrial Commercial Management Limited* (北京國瑞興業商業管理有限公司), Foshan Yinhe Ruixing Commercial Management Co., Ltd.* (佛山市銀和瑞興商業管理有限公司) and Shenyang Guorui Xingda Enterprise Management Co., Ltd* (瀋陽國瑞興達企業管理有限公司) (collectively, the "**Commercial Management Services Group**") respectively entered into six Commercial Management Services Agreements for the engagement of the Commercial Management Services Group by the Group to provide commercial management related services.

The Commercial Management Services Group are all companies controlled by Ms. Zhang Jin and her associates. Ms. Zhang Jin is a Director of the Company and daughter of the Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, the Commercial Management Services Group are all connected persons of the Company, and the transactions under the six Commercial Management Services Agreements all constitute continuing connected transactions of the Company. Upon calculation on an aggregate basis, the applicable highest percentage ratio for the annual cap with respect to the transactions under the six Commercial Management Services Agreements exceeds 0.1% but is less than 5%. Therefore, these transactions are subject to the announcement requirement under Chapter 14A of the Listing Rules but are exempted from the independent shareholders' approval requirement. The total amount of fees charged by the Commercial Management Services Group to the Group for the year ended December 31, 2018 was RMB29.88 million which did not exceed the annual cap of the transactions for 2018 of RMB94.99 million.

Further details of the continuing connected transaction were disclosed in the announcement of the Company dated September 20, 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITORS' CONFIRMATIONS

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and they have confirmed that the transactions are conducted (i) in the Company's ordinary and usual course of business; (ii) on normal commercial terms (or terms no less favourable to the Company than terms available to or from independent third parties); and (iii) the terms are fair and reasonable and in the interest of the shareholders as a whole.

The Board confirmed that save as disclosed above, none of the related party transactions set out in note 52 to the consolidated financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Save as disclosed above, for the year ended December 31, 2018, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules or not in compliance with Chapter 14A of the Listing Rules.

To comply with Rule 14A.56 of the Listing Rules, the Company's auditor has made reports on the Group's non-exempt continuing connected transactions and issued conclusion of the matters set out in Rule 14A.56 of the Listing Rules in respect of these transactions and confirmed that nothing come to their attention that causes them to believe the continuing connected transactions disclosed above:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iii) have exceeded the annual cap.

NON-COMPETITION UNDERTAKING

Each of Mr. Zhang Zhangsun and Alltogether (the "**Controlling Shareholders**") has executed a deed of non-competition through which they have irrevocably and conditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on his/its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company) engage in businesses that are in competition with the Group.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report for the Reporting Period.

The independent non-executive Directors have also reviewed the compliance by each of the Controlling Shareholders with the undertakings in the deed of non-competition for the Reporting Period. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the deed of non-competition given by them.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and contributions, time commitment and responsibilities of the Directors and senior management and salaries paid by comparable companies.

The Company has adopted a Pre-IPO Share Option Scheme (the "**Pre-IPO Share Option Scheme**"), a Post-IPO Share Option Scheme (the "**Post-IPO Share Option Scheme**") and a Share Award Scheme (the "**Share Award Scheme**") as incentive to eligible employees, details of the schemes are set out in the section headed "Pre-IPO Share Option Scheme", "Post-IPO Share Option Scheme"and "Share Award Scheme" below, respectively.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on June 5, 2014 to enable the Company to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and its Shareholders as a whole and provide the Group with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to its key employees.

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 67,076,800 Shares, representing approximately 1.51% of the issued share capital of the Company as at December 31, 2018. An offer of the grant of an option under the Pre-IPO Share Option Scheme shall remain open for acceptance for 28 days from the grant. An offer shall be accepted when the Company receives the duly signed offer letter together with a non-refundable payment of HK$1.00 (or such other sum in any currency as the Board may determine). Save for the options which have been granted on or before June 16, 2014, no further options has be granted under the Pre-IPO Share Option Scheme on or after the Listing Date (i.e. July 7, 2014) and the terms which govern such further grant of options are accordingly removed. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of HK$2.38. The share options granted will vest in three equal tranches on the first, second and third anniversary of the Listing Date (i.e. July 7, 2014), respectively. All share options will be expired after 7 years since the grant date. The validity period of the Pre-IPO Share Option Scheme will be 10 years from the adoption date of such scheme by the Shareholders on June 5, 2014.

As at December 31, 2018, options to subscribe for an aggregate of 67,076,800 Shares (representing approximately 1.51% of the issued share capital of the Company) were granted to 54 grantees under the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme and the particular of the outstanding options granted are set out in Appendix VIII to the Prospectus. Further details of the Pre-IPO Share Option Scheme are set out in note 43(ii) to the consolidated financial statements.

POST-IPO SHARE OPTION SCHEME

The Company adopted the Post-IPO Share Option Scheme on June 5, 2014 to enable the Company to grant options to any Director (including the independent non-executive Directors), full-time employee and consultant of the Group or any other eligible person who, in the Board's sole discretion, has contributed or will contribute to the Group (the "**Eligible Participants**") and provide the Group with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants. The purpose of the Post-IPO Share Option Scheme is to encourage the Eligible Participants to contribute to the Group for the long-term benefits of the Company and its Shareholders as a whole.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme or any other share option scheme adopted by the Company (including the Pre-IPO Share Option Scheme) shall not, in aggregate, exceed 10% of the total number of Shares in issue when the Post-IPO Share Option Scheme was adopted, unless with the prior approval from the Company's Shareholders. The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme to each eligible participant in any 12-month period up to the date of the grant shall not exceed 1% of Shares in issue, unless with the prior approval from the Company's Shareholders. Options granted to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, which would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to the issue of a circular by the Company and prior approval of the Shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favor. An offer of the grant of an option under the Post-IPO Share Option Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1.00 (or such other sum in any currency as the Board may determine) to the Company as consideration. Options may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. The subscription price shall be determined by the Board, in its sole discretion, and in any event shall be no less than the higher of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Shares. The validity period of the Post-IPO Share Option Scheme will be 10 years from the adoption date of such scheme by the Shareholders on June 5, 2014.

Pursuant to the Post-IPO Share Option Scheme, the Company has offered to certain Eligible Participants options to subscribe for an aggregate of 98,000,000 Shares (representing approximately 2.210% of the issued share capital of the Company). The first tranche of 49,000,000 Share options (representing approximately 1.105% of the issued share capital of the Company) was granted on October 27, 2015. As at December 31, 2015, in respect of the first tranche, certain performance conditions were not met and the first tranche lapsed. The second tranche of 49,000,000 Share options (representing approximately 1.105% of the issued share capital of the Company) was granted on March 23, 2016. In respect of the second tranche, certain performance conditions were not met and the second tranche has lapsed.

The total number of shares available for issue under the Share Option Scheme are 424,661,712, representing 9.55% of the total number of shares in issue of the Company as at the date of this annual report.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on June 5, 2014 to recognize the contribution of certain of the Company's employees and officers, especially those whom the Company considered to have contributed to the early development and growth of the Group and to provide financial incentives to them to remain with the Group and strive for the future development and expansion of the Company. A summary of the principal terms and conditions of the Share Award Scheme is set out in Appendix VIII to the Prospectus. Further details of the Share Award Scheme are set out in note 43(i) to the consolidated financial statements.

Pursuant to the Share Award Scheme, a total of four Selected Persons (as defined below) were awarded Shares representing approximately 0.762% of the total issued share capital of the Company upon completion of its Listing (assuming the Over-allotment Option is not exercised and without taking into account any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). On June 10, 2014, Alltogether transferred a total of 33,617,700 Shares to TMF (Cayman) Ltd., a special purpose vehicle incorporated in the Cayman Islands, for the benefit of the Selected Persons.

As at December 31, 2018, a total of 33,617,700 Shares were granted to Mr. Lin Yaoquan (林耀泉), Mr. Wu Yilong (吳義隆), Ms. Zhang Miaoxiang (張妙香) and Ms. Zhang Chanjuan (張嬋娟) (collectively, the "**Selected Persons**"). No further Shares have been awarded under the Share Award Scheme for the year ended December 31, 2018.

Apart from Ms. Zhang Chanjuan, the other Selected Persons disclosed above are connected persons of the Group as defined in the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at December 31, 2018, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a prorate basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules for the year ended December 31, 2018 with deviation from code provision A.2.1 which has already been stated in the Corporate Governance Report in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 269 to 282 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange granted to the Company, at the time of its Listing in 2014, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "**Public Float Waiver**"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 15% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required by the Public Float Waiver as at the date of this annual report.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On February 28, 2019, the Company successfully issued US$160,000,000 13.5% senior notes due 2022 listed on the Stock Exchange. Further details of the issue of senior notes were disclosed in the announcements of the Company dated February 26, 2019 and February 27, 2019.

On March 18, 2019, the Company successfully issued additional US$295,000,000 13.5% senior notes due 2022 listed on the Stock Exchange. Further details of the issue of senior notes were disclosed in the announcements of the Company dated March 8, 2019, March 13, 2019 and March 15, 2019.

On March 1, 2019, the Company completed the full redemption of the US$250,000,000 10.2% senior notes due March 1, 2019 ("March 1, 2019 Notes") with cash. The aggregate redemption price is equivalent to the principal amount of the March 1, 2019 Notes plus accrued interest to the maturity date. Further details of the full redemption of the March 1, 2019 Notes were disclosed in the announcements of the Company dated February 26, 2019 and March 1, 2019.

On March 21, 2019, the Company completed the full redemption of the US$300,000,000 7% senior notes due 2020 ("2020 Notes") of those holders of the 2020 Notes who exercised their redemption options with cash. Further details of the full redemption of the 2020 Notes of those holders of the 2020 Notes who exercised their redemption options were disclosed in the announcements of the Company dated March 7, 2019, March 18, 2019 and March 21, 2019.

CHARITABLE DONATIONS

For the Reporting Period, the Group made charitable and other donations in a total amount of RMB28.7 million.

AUDITOR

Deloitte Touche Tohmatsu has acted as auditor of the Company for the Reporting Period. Deloitte Touche Tohmatsu shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an independent expert.

On behalf of the Board
Zhang Zhangsun
Chairman

Beijing, the PRC, March 28, 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of the Shareholders. The Company has always recognized the importance of the Shareholders' transparency and accountability.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the current organization structure of the Company, Mr. Zhang Zhangsun ("**Chairman Zhang**") is the chairman of the Board and the president of the Company. The roles of both chairman and president being performed by the same person deviate from the CG Code. Chairman Zhang has been overseeing the Group's strategic planning, development, operation and management since the Group was founded. The Company believes that the vesting of the roles of chairman and president in Chairman Zhang is beneficial to the business operations of the Group and will not have a negative impact on the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises four executive Directors and three independent non-executive Directors, and therefore has fairly strong independence in its composition. Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code for the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law and real estate and have contributed to the Board with their professional opinions.

The Board is also responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including internal control measures of financial and operational compliance and risk management functions of the Group.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify the Group's Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises four executive Directors, namely Mr. Zhang Zhangsun, Mr. Ge Weiguang, Ms. Ruan Wenjuan and Ms. Zhang Jin, and three independent non-executive Directors, namely Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru. The biographies of the Directors are set out under the section headed "Directors' and Senior Management's Profiles" of this annual report.

For the Reporting Period, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Under Rule 3.10A of the Listing Rules, listed issuers are required to appoint independent non-executive Directors representing at least one-third of the Board. The Company has three independent non-executive Directors currently representing one-third of the Board and therefore the Company has complied with Rule 3.10A of the Listing Rules.

Under code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Company has adopted a board diversity policy and therefore complied with this code provision. A summary of the board diversity policy is set out under "Board Committees — Nomination Committee" below.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Ms. Ruan Wenjuan and Ms. Zhang Jin are, respectively, the spouse and daughter of Mr. Zhang Zhangsun, the Chairman and one of the Controlling Shareholders of the Company. Save as disclosed in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control Committee.

With regards to the CG Code provision requiring directors to disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and an indication of the time involved, all the Directors have agreed to disclose their commitments and any change to the Company in a timely manner.

Directors' Training and Continuous Professional Development

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for any newly-appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and all relevant legal and regulatory requirements.

The Company also arranges regular seminars to provide all Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. The Joint Company Secretaries from time to time update and provide written training materials relating to the roles, functions and duties of a Director and encourage all the Directors to study such materials, and they are required to submit a signed training record to the Company on an annual basis.

For the Reporting Period, each of the Directors, namely Mr. Zhang Zhangsun, Mr. Ge Weiguang, Ms. Ruan Wenjuan, Ms. Zhang Jin, Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru has attended a formal and comprehensive training. The Company has received confirmation from all Directors of their respective training records for the Reporting Period.

Chairman and President

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organization structure of the Company, Mr. Zhang Zhangsun is our Chairman of the Board and president. With extensive experience in the property industry, the Board considers that vesting the roles of chairman and president in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises four executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service agreement with the Company on July 6, 2017 for a term of three years and may be terminated in accordance with the respective terms of the service agreements.

Each of the independent non-executive Directors has signed a letter of appointment with the Company on July 6, 2017, for a term of three years.

None of the Directors has a service agreement which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's articles of association (the "**Articles**"), one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company and all Directors are subject to retirement by rotation at least once every three years. The Board shall have power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election of that meeting. Subject to the Articles and the Companies Law of the Cayman Islands, the Company may by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the existing Directors. Any director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the forthcoming AGM, Mr. Luo Zhenbang, Ms. Chen Jingru and Mr. Ge Weiguang, shall retire and being eligible, shall offer themselves for re-election accordingly.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board Committees meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting was held. The minutes of the Board meetings and Board Committees meetings are open for inspection by Directors.

For the Reporting Period, fourteen Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Zhang Zhangsun	12/14
Mr. Ge Weiguang	14/14
Ms. Ruan Wenjuan	12/14
Ms. Zhang Jin	12/14
Mr. Luo Zhenbang	14/14
Mr. Lai Siming	14/14
Ms. Chen Jingru	14/14

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the Reporting Period.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have resources to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of all Directors and delegated the corporate governance duties to the Audit Committee which include:

(i) to formulate and review the Company's policy and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

General Meetings

For the Reporting Period, one general meeting was held on May 29, 2018 and the attendance of the individual Directors at the meeting is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Zhang Zhangsun	1/1
Mr. Ge Weiguang	1/1
Ms. Ruan Wenjuan	1/1
Ms. Zhang Jin	1/1
Mr. Luo Zhenbang	1/1
Mr. Lai Siming	1/1
Ms. Chen Jingru	1/1

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises three members, being one executive Director, namely Mr. Zhang Zhangsun (chairman), and two independent non-executive Directors, namely Mr. Luo Zhenbang and Mr. Lai Siming. Accordingly, the majority of them are independent non-executive Directors.

The main duties of the Nomination Committee include:

– to review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

– to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

– to make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and

– to assess the independence of independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

With a view to enhancing Board effectiveness and corporate governance, the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company has adopted the Board Diversity Policy with measurable objectives. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

For the Reporting Period, one meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Zhang Zhangsun	1/1
Mr. Luo Zhenbang	1/1
Mr. Lai Siming	1/1

The nomination committee was took into account the board diversity policy adopted by the Company and also assess the independence of the independent non-executive Directors and has made recommendations to the Board on the re-appointment of Mr. Zhang Zhangsun and Ms. Ruan Wenjuan as executive Directors and Mr. Lai Siming as an independent non-executive Director of the Company.

Remuneration Committee

The Remuneration Committee comprises three members, being two independent non-executive Directors, namely Mr. Lai Siming (chairman), and Mr. Luo Zhenbang, and being one executive Director, Ms. Ruan Wenjuan. Accordingly, the majority of them are independent non-executive Directors.

The main duties of the Remuneration Committee include:

(i) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to make recommendations to the Board on the remuneration of individual executive Directors and senior management, including benefits in kind, pension rights and compensations (including any compensation payable for loss or termination of office or appointment);

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment terms for other positions of the Group.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the Reporting Period, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Lai Siming	1/1
Ms. Ruan Wenjuan	1/1
Mr. Luo Zhenbang	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for all Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive and non-executive Directors and senior management.

Details of the remuneration by band of the ten members of the senior management of the Company, whose biographies are set out on pages 247 to 249 of this annual report, for the Reporting Period are set out below:

Remuneration band (RMB'000)	Number of individual
700 to 1,000	2
1,000 to 1,500	4
above 1,500	4

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (chairman), Mr. Lai Siming and Ms. Chen Jingru. The main duties of the Audit Committee include:

– to monitor and review the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any), and to review significant financial reporting judgments contained in them and to consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

– to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and

– to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the Reporting Period, two meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Luo Zhenbang	2/2
Mr. Lai Siming	2/2
Ms. Chen Jingru	2/2

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions), risk management systems and processes and the re-appointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed interim and final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Internal Control Committee

The Internal Control Committee comprises three members, being two independent non-executive Directors, namely Ms. Chen Jingru (chairman), Mr. Luo Zhenbang and being one executive Director, Ms. Ruan Wenjuan. Accordingly, the majority of them are independent non-executive Directors. The main duties of the Internal Control Committee include:

(i) to formulate and implement internal control handbook, policies and guidelines in relation to project management, cash flow management, capital management and internal audit procedures and make recommendations to the Board;

(ii) to monitor the Company's internal control status, including but not limited to project development, lease registration and non-compliant inter-company loans;

(iii) to develop and monitor the implementation of internal control communication channels between different departments within the Company to ensure their effectiveness; and

(iv) to review and discuss the solutions to regulatory, compliance and internal control related matters and report to the Board on a quarterly basis.

For the Reporting Period, one meeting of the Internal Control Committee were held and the attendance record of the Internal Control Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Ms. Chen Jingru	1/1
Mr. Luo Zhenbang	1/1
Ms. Ruan Wenjuan	1/1

The Internal Control Committee reviewed the Company's internal control status, internal audit policy and procedures, human resources policy and risk management system.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of Directors and five highest paid employees have been set out in note 12 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period in accordance with statutory requirements and applicable accounting standards, which give a true and fair view of the affairs of the Group and of its results and cash flows. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 284 to 289 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and reviewing the effectiveness of such systems on an annual basis. The Group has established a robust risk management and internal control framework, which consists of the Board, the Audit Committee, the Internal Control Committee and the Senior Management of the Group. The Board further clarified that the aforementioned systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee and Internal Control Committee, determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the overall effectiveness of risk management. The Group identifies key risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans are then established by the risk owners to manage the risk to acceptable level.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial conditions and internal control of the Company and conducting comprehensive audits of all subsidiaries of the Company on a regular basis.

The Board, through the Audit Committee and Internal Control Committee, has conducted a review of the effectiveness of the risk management and internal control systems covering all material controls, including financial, operational and supervisory controls and risk management functions and, in particular, considering the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. Based on comments from the Audit Committee and Internal Control Committee, the Board considered such systems to be effective and adequate.

The Company takes the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong as the Company's basis of identification of inside information, to ensure the timely report of inside information to the executive directors and maintain communication with the Board. Meanwhile, the Company handles and disseminates the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably.

AUDITORS' REMUNERATION

For the Reporting Period, the fees payable to the external auditor, Deloitte Touche Tohmatsu, was RMB2.5 million for audit services and RMB2.5 million for other services including but not limited to review of interim results and preliminary announcement.

JOINT COMPANY SECRETARIES

Ms. Zheng Jin, the Joint Company Secretary, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Kwong Yin Ping, Yvonne, vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial services provider), as its Joint Company Secretary to assist Ms. Zheng Jin to discharge her duties as company secretary of the Company. The primary corporate contact person at the Company is Ms. Zheng Jin, the Board Secretary and Joint Company Secretary.

For the Reporting Period, Ms. Zheng Jin and Ms. Kwong Yin Ping, Yvonne have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

The Board of Directors shall recommend dividends based on the actual and expected financial results of the Group, the overall business conditions and business strategy of the Group, the relevant Company laws and the Articles of Association of the Company and other relevant factors that the Board considers. The Company may, from time to time, declare a dividend to the shareholders of the Company at the shareholders' meeting, but may not exceed the amount of dividends recommended by the Board of Directors.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The annual general meeting(s) of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company, and the chairmen of the Board Committees of the Company will attend the annual general meeting(s) to answer Shareholders' questions. The external auditor of the Company will also attend the annual general meeting(s) to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.glorypty.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at Shareholder meetings, including the election of individual Directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and the Company in a timely manner after each Shareholder meeting.

Convening of extraordinary general meeting and putting forward proposals

Pursuant to article 12.3 of the Articles, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company. As regards proposing a person for election as a Director, the procedures are available on the Company's website.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business of the Company in Hong Kong at Suite 5103A, 51/F, Central Plaza, 18 Harbour Road, Hong Kong (email address: ir@glorypty.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

There is no significant change in constitutional documents of the Company during the Reporting Period.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Zhangsun *(Chairman)*
Mr. Ge Weiguang
Ms. Ruan Wenjuan
Ms. Zhang Jin

Independent Non-Executive Directors

Mr. Luo Zhenbang
Mr. Lai Siming
Ms. Chen Jingru

JOINT COMPANY SECRETARIES

Ms. Zheng Jin (CPA)
Ms. Kwong Yin Ping, Yvonne (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. Ge Weiguang
Ms. Zheng Jin

AUDIT COMMITTEE

Mr. Luo Zhenbang *(Committee Chairman)*
Mr. Lai Siming
Ms. Chen Jingru

REMUNERATION COMMITTEE

Mr. Lai Siming *(Committee Chairman)*
Ms. Ruan Wenjuan
Mr. Luo Zhenbang

NOMINATION COMMITTEE

Mr. Zhang Zhangsun *(Committee Chairman)*
Mr. Luo Zhenbang
Mr. Lai Siming

INTERNAL CONTROL COMMITTEE

Ms. Chen Jingru *(Committee Chairman)*
Ms. Ruan Wenjuan
Mr. Luo Zhenbang

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Bank of Beijing Co., Ltd.

LEGAL ADVISORS

As to Hong Kong Law
Baker & McKenzie
14/F, Block 1, Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEAD OFFICE IN HONG KONG

Suite 5103A, 51/F, Central Plaza
18 Harbour Road
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

East Block, Hademen Plaza, 8-1#Chongwenmenwai Street
Dongcheng District
BeijingPRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

Share Listing
The Company's ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 02329

SENIOR NOTES LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 05408
Stock Code: 05110
Stock Code: 05834

WEBSITE

http://www.glorypty.com

Deloitte. 德勤

TO THE SHAREHOLDERS OF GUORUI PROPERTIES LIMITED (INCORPORATED UNDER THE NAME OF "GLORY LAND COMPANY LIMITED (國瑞置業有限公司)" IN THE CAYMAN ISLANDS AND CARRYING ON BUSINESS IN HONG KONG AS "GUORUI PROPERTIES LIMITED")

OPINION

We have audited the consolidated financial statements of Guorui Properties Limited (incorporated under the name of "Glory Land Company Limited (國瑞置業有限公司)" in the Cayman Islands and carrying on business in Hong Kong as "Guorui Properties Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 290 to 442, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value. The management determined the fair value of the Group's investment properties at December 31, 2018 with the assistance of an external valuer. Details of the investment properties and the related key estimation uncertainty are set out in notes 16 and 4 to the consolidated financial statements respectively.	Our procedures in relation to valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management; • Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer to understand the basis of determination of valuation; and • Challenging the external valuer the methodologies and judgments used in valuing the investment properties and obtaining the market evidence that the external valuer used to support the key inputs.
Revenue from property sales	
We identified the revenue from property sales as a key audit matter due to the significance of the amount and volume of sales transactions recognized during the year. Details of revenue from property sales are set out in note 5 to the consolidated financial statements.	Our procedures in relation to revenue from property sales included: • Testing key internal controls over revenue recognition for property sales on a sample basis; and • Selecting property sales transactions on a sample basis and: – reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and transfer of control; – obtaining evidence regarding the property delivery and transfer of control; and – reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of properties under development for sale acquired in business combination	
We identified valuation of properties under development for sale acquired in business combination undertook by the Group in the current year as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value of properties under development for sale as of the date of acquisition. The management determined the fair value of the Group's properties under development for sale, together with other identifiable assets acquired and liabilities incurred, as of the date of acquisition with the assistance of an external valuer. Details of the businesses combination and key estimation certainty are set out in notes 44 and 4 to the consolidated financial statements respectively.	Our procedures in relation to the valuation of properties under development for sale acquired in business combination included: • Obtaining and examining the relevant agreements and documents to identify the key transaction terms and conditions, and evaluating management's determination of acquisition dates and appropriateness of accounting treatment to be in accordance with the Group's accounting policies and applicable accounting standards; • Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management; • Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer to understand the basis of determination of valuation; and • With the assistance of our internal valuation specialists, evaluating the methodologies and judgments used by the external valuer in valuing the properties under development for sales acquired and obtaining the market evidence that the external valuer used to support the key inputs.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	NOTES	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	5		
Property sales		5,924,612	6,381,746
Construction and development services		156,451	75,095
Property management and related services		21,231	20,281
Property rental		510,191	310,293
Total revenue		6,612,485	**6,787,415**
Cost of sales and services		(4,013,283)	(3,618,543)
Gross profit		2,599,202	3,168,872
Other gains and losses	7	67,364	161,185
Other income	8	159,267	88,241
Change in fair value of investment properties		907,791	955,743
Distribution and selling expenses		(206,799)	(194,915)
Administrative expenses		(507,815)	(360,684)
Other expenses	9	(53,252)	(45,676)
Share of losses of joint ventures		(11,939)	(936)
Share of losses of associates		(10,905)	(6,014)
Finance costs	10	(245,446)	(198,683)
Profit before tax	11	2,697,468	3,567,133
Income tax expense	13	(1,128,237)	(1,527,622)
Profit for the year		1,569,231	2,039,511
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		(9,593)	—
Gain on revaluation of properties		—	324,949
Income tax relating to items that will not be reclassified to profit or loss		2,398	(81,237)
		(7,195)	243,712
Total comprehensive income for the year		1,562,036	2,283,223

	NOTE	Year ended December 31, 2018 RMB'000	2017 RMB'000
Profit for the year attributable to:			
Owners of the Company		**1,008,784**	1,749,841
Non-controlling interests		**560,447**	289,670
		1,569,231	2,039,511
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,002,237**	1,944,811
Non-controlling interests		**559,799**	338,412
		1,562,036	2,283,223
Earnings per share	14		
– Basic (RMB cents)		**22.70**	39.46
– Diluted (RMB cents)		**22.60**	39.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	NOTES	At December 31, 2018 RMB'000	2017 RMB'000
Non-current Assets			
Investment properties	16	**19,545,072**	18,308,269
Property, plant and equipment	17	**1,687,653**	850,258
Other non-current assets	18	**1,409,257**	1,053,778
Interests in joint ventures	19	**24,375**	9,064
Interests in associates	20	**565**	269,246
Equity instruments at fair value through other comprehensive income	21	**220,307**	—
Available-for-sale investments	22	**—**	165,192
Prepaid lease payments	23	**275,466**	281,438
Deposits paid for acquisition of property, plant and equipment		**—**	120,000
Deferred tax assets	24	**510,513**	404,235
Restricted bank deposits	33	**462,980**	105,720
Value added tax and tax recoverable		**1,680,675**	1,422,585
		25,816,863	22,989,785
Current Assets			
Inventories		**67**	61
Deposits paid for acquisition of land	25	**830,301**	605,010
Properties under development for sale	26	**36,371,398**	23,626,222
Properties held for sale	28	**4,372,328**	3,408,156
Trade and other receivables, deposits and prepayments	29	**2,296,480**	1,082,946
Contract assets	30	**1,223,570**	—
Contract costs	31	**36,321**	—
Amounts due from customers for contract work	32	**—**	1,191,139
Value added tax and tax recoverable		**634,706**	500,477
Amounts due from related parties	52	**2,588,873**	2,928,197
Financial assets at fair value through profit or loss		**—**	97
Restricted bank deposits	33	**479,151**	620,761
Bank balances and cash	34	**1,030,143**	1,591,506
		49,863,338	35,554,572

	NOTES	At December 31, 2018 RMB'000	2017 RMB'000
Current Liabilities			
Trade and other payables	35	6,757,015	5,585,713
Deposits received from pre-sale of properties		—	3,308,339
Contract liabilities	36	11,208,252	—
Amounts due to related parties	52	4,265,166	893,229
Tax payable	37	2,874,075	2,492,186
Bank and trust borrowings - due within one year	38	9,037,963	11,625,399
Corporate bonds	39	998,765	2,992,645
Senior notes	40	3,768,364	—
		38,909,600	26,897,511
Net Current Assets		10,953,738	8,657,061
Total Assets less Current Liabilities		36,770,601	31,646,846
Non-current Liabilities			
Rental deposits received	35	106,312	89,393
Bank and trust borrowings - due after one year	38	14,261,021	12,601,665
Corporate bonds	39	54,670	997,006
Senior notes	40	677,419	1,940,948
Deferred tax liabilities	24	3,840,352	2,425,425
		18,939,774	18,054,437
Net Assets		17,830,827	13,592,409
Capital and Reserves			
Share capital	41	3,520	3,519
Share premium and reserves		11,899,088	10,898,692
Equity attributable to owners of the Company		11,902,608	10,902,211
Non-controlling interests		5,928,219	2,690,198
Total Equity		17,830,827	13,592,409

The consolidated financial statements on pages 290 to 442 were approved and authorized for issue by the Board of Directors on March 28, 2019 and are signed on its behalf by:

Ge Weiguang
DIRECTOR

Ruan Wenjuan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	FVTOCI reserve RMB'000	Other reserve RMB'000 (Note (i))	Equity-settled share-based payment reserve RMB'000	Treasury shares reserve RMB'000	Statutory surplus reserve RMB'000 (Note (ii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017	3,513	833,681	133,379	–	–	(58,601)	57,785	(18,748)	855,993	7,676,855	9,483,857	2,326,993	11,810,850
Profit for the year	–	–	–	–	–	–	–	–	–	1,749,841	1,749,841	289,670	2,039,511
Other comprehensive income for the year	–	–	–	194,970	–	–	–	–	–	–	194,970	48,742	243,712
Total comprehensive income for the year	–	–	–	194,970	–	–	–	–	–	1,749,841	1,944,811	338,412	2,283,223
Transfer of reserves	–	–	–	–	–	–	–	–	231,548	(231,548)	–	–	–
Dividend declared to owners of the Company (note 15)	–	(540,000)	–	–	–	–	–	–	–	–	(540,000)	–	(540,000)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(236,000)	(236,000)
Recognition of equity-settled share-based payments (note 43)	–	–	–	–	–	–	5,206	–	–	–	5,206	–	5,206
Exercise of share options (note 43)	6	12,334	–	–	–	–	(4,574)	–	–	–	7,766	–	7,766
Shares vested under share award scheme (note 43)	–	–	–	–	–	–	(18,748)	18,748	–	–	–	–	–
Acquisitions of subsidiaries (note 44)	–	–	–	–	–	–	–	–	–	–	–	73,646	73,646
Disposal of partial interest in a subsidiary (Note (iii))	–	–	–	–	–	571	–	–	–	–	571	187,147	187,718
At December 31, 2017	3,519	306,015	133,379	194,970	–	(58,030)	39,669	–	1,087,541	9,195,148	10,902,211	2,690,198	13,592,409

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	FVTOCI reserve RMB'000	Other reserve RMB'000 (Note i)	Equity-settled share-based payment reserve RMB'000	Treasury shares reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Adjustments (See note 2)	–	–	–	–	44,163	–	–	–	–	–	44,163	4,368	48,531
At January 1, 2018 (Restated)	3,519	306,015	133,379	194,970	44,163	(58,030)	39,669	–	1,087,541	9,195,148	10,946,374	2,694,566	13,640,940
Profit for the year	–	–	–	–	–	–	–	–	–	1,008,784	1,008,784	560,447	1,569,231
Other comprehensive expense for the year	–	–	–	–	(6,547)	–	–	–	–	–	(6,547)	(648)	(7,195)
Total comprehensive (expense) income for the year	–	–	–	–	(6,547)	–	–	–	–	1,008,784	1,002,237	559,799	1,562,036
Transfer of reserves	–	–	–	–	–	–	–	–	131,833	(131,833)	–	–	–
Dividend declared to owners of the Company (note 15)	–	(300,000)	–	–	–	–	–	–	–	–	(300,000)	–	(300,000)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(270,000)	(270,000)
Exercise of share options (note 43)	1	2,012	–	–	–	–	(771)	–	–	–	1,242	–	1,242
Acquisitions of subsidiaries (note 44)	–	–	–	–	–	187,460	–	–	–	–	187,460	3,025,149	3,212,609
Acquisition of partial interest in a subsidiary (Note (iv))	–	–	–	–	–	64,810	–	–	–	–	64,810	(84,810)	(20,000)
Disposal of partial interest in a subsidiary (Note (v))	–	–	–	–	–	485	–	–	–	–	485	3,515	4,000
At December 31, 2018	3,520	8,027	133,379	194,970	37,616	194,725	38,898	–	1,219,374	10,072,099	11,902,608	5,928,219	17,830,827

Notes:

(i) Other reserve mainly represents (a) the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received by the Group (as defined in note 1) in acquiring or disposal of partial interests in existing subsidiaries and capital contribution from non-controlling equity holders of subsidiaries; and (b) deemed contribution from a related party of RMB187,460,000 arising from acquisition of businesses in the current year with details set out in note 44.

(ii) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(iii) During the year ended December 31, 2017, the Group disposed 10% equity interest in Qidong Yujiangwan Investment Management Co., Ltd. 啟東禦江灣投資管理有限公司 ("Qidong Yujiangwan") at a consideration of RMB187,718,000. The difference between the consideration received and the carrying amount of the partial equity interest disposed amounted to RMB571,000 was recognized in other reserve.

(iv) During the year, Shenzhen Glory Real Estate Co., Ltd. 深圳國瑞興業房地產有限公司 ("Shenzhen Glory Xingye") has entered into an agreement with a third party to acquire 10% equity interest in Dachaoshan Real Estate Development Ltd. 深圳市大潮汕建設有限公司 ("Shenzhen Dachaoshan"), an existing subsidiary of the Group, at a consideration of RMB20,000,000, of which RMB8,000,000 was paid during the current year. The difference between the consideration and the carrying amount of the partial equity interest acquired amounted to RMB64,810,000 was recognized in other reserve.

(v) During the year, Shantou Garden Group Co., Ltd. 汕頭花園集團有限公司 ("Garden Group") disposed 20% equity interest in Shenzhen Glory Xingye Culture Development Ltd. 深圳國瑞興業文化發展有限公司 ("Shenzhen Glory Xingye Culture") to Longhu Huamu Market Co., Ltd. 汕頭市龍湖花木市場有限公司("Longhu Huamu") which is controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun, at a consideration of RMB4,000,000, which has not yet been received up to December 31, 2018. The difference between consideration and the carrying amount of the partial equity interest disposed amounted to RMB485,000 was recognized in other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Year ended December 31, 2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,697,468**	3,567,133
Adjustments for:		
Amortization of intangible assets	**1,985**	1,492
Amortization of prepaid lease payments	**6,035**	6,035
Changes in fair value of investment properties	**(907,791)**	(955,743)
Depreciation of property, plant and equipment	**72,280**	31,715
Finance costs	**245,446**	198,683
Foreign exchange losses (gains)	**54,320**	(161,278)
Gain from changes in fair value of financial assets at fair value through profit or loss	**(14)**	—
Gain from remeasurement of retained equity interest	**(121,250)**	—
Gain on disposal of a subsidiary	**(405)**	—
(Gain) loss on disposal of property, plant and equipment	**(15)**	93
Interest income	**(145,627)**	(79,965)
Share-based payment expense	**—**	4,171
Share of losses of associates	**10,905**	6,014
Share of losses of joint ventures	**11,939**	936
Operating cash flows before movements in working capital	**1,925,276**	2,619,286
Increase in other non-current assets, properties under development for sale and properties held for sale	**(1,415,980)**	(5,326,204)
Increase in deposits paid for acquisition of land	**(225,291)**	(240,000)
(Increase) decrease in inventories	**(6)**	44
Increase in trade and other receivables, deposits and prepayments	**(500,990)**	(259,558)
Decrease in contract assets	**144,910**	—
Increase in contract costs	**(36,321)**	—
Increase in amounts due from related parties	**—**	(21,277)
Increase in amounts due to related parties	**4,688**	8,833
(Decrease) increase in trade and other payables	**(1,492,891)**	194,658
Increase in contract liabilities	**3,401,839**	—
Increase in deposits received from pre-sale of properties	**—**	627,914
Decrease in amounts due from customers for contract work	**—**	221,463
Increase in restricted bank deposits	**(423,030)**	(198,753)
Cash from (used in) operations	**1,382,204**	(2,373,594)
Income tax and land appreciation tax paid	**(639,940)**	(866,780)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**742,264**	(3,240,374)

	NOTES	Year ended December 31, 2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Interest received		**14,088**	6,822
Purchase of property, plant and equipment and intangible assets		**(436,703)**	(476,630)
Proceeds on disposal of property, plant and equipment		**371**	191
Payments for investment properties		**(164,012)**	(633,501)
Net cash inflow arising on acquisitions of subsidiaries	44	**730,169**	15
Payment of consideration payable for acquisition of subsidiaries in prior year		**(7,000)**	(599,150)
Net cash outflow on disposal of a subsidiary	45	**(131)**	—
Investments in joint ventures		**(25,500)**	(10,000)
Purchase of entrusted financial products		**(287,038)**	—
Disposal of entrusted financial products		**287,038**	—
Interest received from entrusted financial products		**8,664**	—
Proceeds on disposal of financial assets at fair value through profit or loss		**111**	—
Advances to related parties		**(2,801,978)**	(3,668,757)
Repayments from related parties		**4,979,061**	839,980
Withdrawal of restricted bank deposits		**277,284**	66,234
Placement of restricted bank deposits		**(69,904)**	(307,296)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,504,520**	(4,782,092)

	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	6,510,000	8,153,986
New trust borrowings raised	7,027,942	4,760,000
Repayments of bank borrowings	(13,027,922)	(4,244,789)
Repayments of trust borrowings	(2,407,000)	(350,000)
Advances from related parties	3,756,730	8
Repayments to related parties	(2,557,945)	(3,065)
Repayment of corporate bonds	(2,945,330)	—
Proceeds on issue of senior notes	2,222,540	2,072,130
Transaction costs paid for issuance of senior notes	(36,839)	(31,082)
Interest paid	(2,175,254)	(1,655,266)
Payments for acquisition of partial interest in a subsidiary	(8,000)	—
Exercise of share options	1,242	7,766
Dividends paid to owners of the Company	(95,811)	(108,966)
Dividends paid to non-controlling interests	(72,500)	(221,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(3,808,147)	8,379,722
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(561,363)	357,256
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2018	1,591,506	1,234,250
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2018, REPRESENTED BY BANK BALANCES AND CASH	1,030,143	1,591,506

1. GENERAL

Guorui Properties Limited (the "Company") was incorporated in the Cayman Islands under the name of "Glory Land Company Limited (國瑞置業有限公司)" as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012 which carries on business in Hong Kong as "Guorui Properties Limited". Its parent and ultimate holding company is Alltogether Land Company Limited (通和置業有限公司) ("Alltogether Land"), a company incorporated in the British Virgin Islands. Mr. Zhang Zhangsun, who hold 100% equity interests of Alltogether Land, is the ultimate beneficial owner of the Company. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1#Chongwenmenwai Street, Dongcheng District, Beijing, the PRC.

The Company's shares were listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively the "Group") are principally engaged in the business of property development, provision of primary land construction and development services, property investment, and provision of property management and related services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendment to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the IFRS 15 retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18, IAS 11 and the related interpretations.

The Group recognizes revenue from the following major sources which arise from contracts with customers:

- Property sales;
- Construction and development services; and
- Property management and related services.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 has no material impact on the retained earnings at January 1, 2018.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at January 1, 2018. Line items that were not affected by the changes have not been included.

	NOTES	Carrying amounts previously reported as at December 31, 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under IFRS 15 as at January 1, 2018* RMB'000
Current Assets					
Properties under development for sale	(a)	23,626,222	—	72,032	**23,698,254**
Trade and other receivables, deposits and prepayments	(b)	1,082,946	(63,535)	—	**1,019,411**
Amounts due from customers for contract work	(c)	1,191,139	(1,191,139)	—	—
Contract assets	(b)& (c)	—	1,254,674	—	**1,254,674**
Current Liabilities					
Deposits received from pre-sale of properties	(a)	3,308,339	(3,308,339)	—	—
Contract liabilities	(a)	—	3,308,339	72,032	**3,380,371**

* The amounts in this column are before the adjustments from the application of IFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

Notes:

(a) As at January 1, 2018, advances from customers of RMB3,308,339,000 in respect of property sales previously included in deposits received from pre-sale of properties were reclassified to contract liabilities.

The interest on the advances from customers accumulated up to January 1, 2018 of RMB72,032,000 in respect of certain property sales contracts containing significant financing component where the period between payment and transfer of the associated properties exceed one year, were accrued under contract liabilities, with the corresponding charge capitalized under properties under development for sale.

(b) At the date of initial application, unbilled revenue of RMB63,535,000 arising from certain property sales contracts are conditional on the satisfaction of specified conditions as stipulated in the contracts, and hence such balance was reclassified from trade receivables to contract assets.

(c) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in measurement of progress towards complete satisfaction of a performance obligation upon initial application of IFRS 15. RMB1,191,139,000 of amounts due from customers for contract work were reclassified to contract assets.

The following tables summarize the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at December 31, 2018, and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Current Assets			
Properties under development for sale	36,371,398	(402,533)	35,968,865
Trade and other receivables, deposits and prepayments	2,296,480	47,205	2,343,685
Amounts due from customers for contract work	—	1,176,365	1,176,365
Contract assets	1,223,570	(1,223,570)	—
Contract costs	36,321	(36,321)	—
Current Liabilities			
Deposits received from pre-sale of properties	—	10,805,719	10,805,719
Contract liabilities	11,208,252	(11,208,252)	—
Non-current Liabilities			
Deferred tax liabilities	3,840,352	(9,080)	3,831,272
Capital and Reserves			
Retained earnings	10,072,099	(27,241)	10,044,858

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Revenue	6,612,485	(70,947)	6,541,538
Cost of sales and services	(4,013,283)	70,947	(3,942,336)
Distribution and selling expenses	(206,799)	(36,321)	(243,120)
Profit before tax	2,697,468	(36,321)	2,661,147
Income tax expense	(1,128,237)	9,080	(1,119,157)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
OPERATING ACTIVITIES			
Profit before tax	2,697,468	(36,321)	2,661,147
Increase in properties under development for sale and properties held for sale	(1,343,899)	—	(1,343,899)
Increase in trade and other receivables, deposits and prepayments	(500,990)	16,330	(484,660)
Decrease in contract assets	144,910	(144,910)	—
Increase in contract costs	(36,321)	36,321	—
Decrease in amounts due from customers for contract work	—	128,580	128,580
Increase in contract liabilities	3,329,758	(3,329,758)	—
Increase in deposits received from pre-sale of properties	—	3,329,758	3,329,758

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, lease receivables, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at January 1, 2018, (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1,2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018, are recognized in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under IFRS 9 and IAS 39 and the corresponding impact on deferred tax liabilities at the date of initial application, January 1, 2018.

	NOTE	Available-for-sale investments RMB'000	Equity instruments at FVTOCI RMB'000	Trade receivables RMB'000	Contract assets RMB'000	Amounts due from customers for contract work RMB'000	Deferred tax liabilities RMB'000	FVTOCI reserve RMB'000	Non-controlling interests RMB'000
Closing balance as at December 31, 2017		165,192	—	480,394	—	1,191,139	2,425,425	—	2,690,198
Effect arising from initial application of IFRS 15		—	—	(63,535)	1,254,674	(1,191,139)	—	—	—
Effect arising from initial application of IFRS 9:									
Reclassification									
From available-for-sale	(a)	(165,192)	165,192	—	—	—	—	—	—
Remeasurement									
From cost less impairment to fair value	(a)	—	64,708	—	—	—	16,177	44,163	4,368
Opening balance as at January 1, 2018		—	229,900	416,859	1,254,674	—	2,441,602	44,163	2,694,566

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

Notes:

(a) Available-for-sale ("AFS") investments

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its unquoted equity investments previously classified as available-for-sale measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, the investments were reclassified from AFS investments to equity instruments at FVTOCI and the corresponding increase in fair value of RMB64,708,000 were adjusted to equity instruments at FVTOCI and FVTOCI reserve, and the related deferred tax liability of RMB16,177,000 were adjusted to FVTOCI reserve as at January 1, 2018.

(b) Impairment under ECL model

As at January 1, 2018, no material credit loss allowance has been recognized against retained earnings upon application of ECL model.

2.3 Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no material impact to the classification at January 1, 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards (continued)

	As at December 31, 2017 RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	As at January 1, 2018 RMB'000 (Restated)
Non-current Assets				
AFS investments	165,192	—	(165,192)	—
Equity instruments at FVTOCI	—	—	229,900	229,900
Others with no adjustments	22,824,593	—	—	22,824,593
	22,989,785	—	64,708	23,054,493
Current Assets				
Properties under development for sale	23,626,222	72,032	—	23,698,254
Trade and other receivables, deposits and prepayments	1,082,946	(63,535)	—	1,019,411
Contract assets	—	1,254,674	—	1,254,674
Amounts due from customers for contract work	1,191,139	(1,191,139)	—	—
Others with no adjustments	9,654,265	—	—	9,654,265
	35,554,572	72,032	—	35,626,604
Current Liabilities				
Deposits received from pre-sale of properties	3,308,339	(3,308,339)	—	—
Contract liabilities	—	3,380,371	—	3,380,371
Others with no adjustments	23,589,172	—	—	23,589,172
	26,897,511	72,032	—	26,969,543
Net Current Assets	8,657,061	—	—	8,657,061
Total Assets less Current Liabilities	31,646,846	—	64,708	31,711,554

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendment to IFRSs that are mandatorily effective for the current year (continued)

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards (continued)

	As at December 31, 2017 RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	As at January 1, 2018 RMB'000 (Restated)
Non-current Liabilities				
Deferred tax liabilities	2,425,425	—	16,177	2,441,602
Others with no adjustments	15,629,012	—	—	15,629,012
	18,054,437	—	16,177	18,070,614
Net Assets	13,592,409	—	48,531	13,640,940
Capital and Reserves				
Share capital	3,519	—	—	3,519
Reserves	10,898,692	—	44,163	10,942,855
Equity attributable to owners of the Company	10,902,211	—	44,163	10,946,374
Non-controlling interests	2,690,198	—	4,368	2,694,566
Total Equity	13,592,409	—	48,531	13,640,940

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended December 31, 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and an interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after January 1, 2021

[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

[4] Effective for annual periods beginning on or after a date to be determined

[5] Effective for annual periods beginning on or after January 1, 2020

Except for the new and amendments to IFRS mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to IFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under IAS 17, the Group has already recognized prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 *Leases* (continued)

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group had non-cancellable operating lease commitments of RMB2,832,000 as disclosed in note 51. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits received of RMB142,321,000 as at December 31, 2018 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on January 1, 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constitute a business

When the Group acquires a group of assets and liabilities that does not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, and investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does 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.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortized to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to January 1, 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Property sales

Revenue from the property sales in the ordinary course of business is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to January 1, 2018) (continued)

Revenue from construction contract

Revenue from construction contract is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts and cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Service income

Service income is recognized when the services are provided.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land for own use

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

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

Exchange differences arising from foreign currency borrowings are included in borrowing costs to the extent that they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes under the state-managed retirement benefits schemes in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefit

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity-settled share-based payment reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

When share options are exercised, the amount previously recognized in equity-settled share-based payment reserve will be transferred to share premium.

When the awarded shares are vested, the amount previously recognized in equity-settled share-based payment reserve and the amount of the relevant treasury shares is reversed and the differences arising from the reversal is adjusted to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit/loss before tax because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment properties

Investment properties are properties held to earn rentals or/and for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

If an investment property becomes owner-occupied as evidenced by commencement of owner-occupation, the property will be reclassified as property, plant and equipment at its fair value at the date of transfer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any differences between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on tangible, intangible assets and contract costs other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible, intangible assets and contract costs other than goodwill (continued)

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Transfer from inventories to investment property is evidenced by commencement of an operating lease to another party prior to January 1, 2018. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

Properties under development

Properties under development for sale which are intended to be sold in the ordinary course of business upon completion of development are classified as current assets, and are carried at the lower of cost and net realizable value. Cost comprises the related land cost, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost comprises the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

(iii) Financial assets at FVTPL

The Group's financial assets that do not meet the criteria for being measured at amortized cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including restricted bank deposits, trade receivables arising from contracts with customers, other receivables, deposits, amounts due from related parties and bank balances), lease receivables, contract assets and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets arising from contracts with customers and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. The Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

Except for financial guarantee contracts, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018) (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on January 1, 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest and principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets measured at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and lease receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition/ initial application to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Treasury shares contributed by the ultimate holding company for share award scheme are initially recognized at the fair value and recorded in treasury shares reserve prior to vesting.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related parties, bank and trust borrowings, corporate bonds and senior notes are subsequently measured at amortized cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (since January 1, 2018)/IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of IFRS 9 on January 1, 2018); and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when the Group's obligations specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition from property sales at a point in time

Under IFRS 15, control of the asset is transferred over time when the Group's performance does 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. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customers and thus the property unit does not have an alternative use to the Group, but significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to property sales create an enforceable right to payment for the Group. The Group has considered the relevant contract terms and the legal environment. Based on the assessment, the Group concluded that it does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Accordingly, revenue from the property sales is recognized at a point in time.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model under IAS 40 amounted to RMB19,545,072,000 (2017: RMB18,308,269,000), as at December 31, 2018, the Directors concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred tax on investment properties, the Directors have determined the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

Control over subsidiaries

The Group obtained the control of Guangdong Hongtai Guotong, Tianjin Tianfu Rongsheng, Sanya Jingheng and Handan Guoxia (as defined in note 20) during the year ended December 31, 2018 although the Group has only 35% ownership interest in these entities as detailed in note 44.

The Directors assessed whether or not the Group has control over these entities based on whether the Group has the practical ability to direct the relevant activities of these entities unilaterally. According to the articles of association of these entities, the Group has 67% voting rights in the shareholders' meeting and has right to appoint 2 out of 3 directors in the board of directors of these entities. Resolutions in shareholders' meeting of these entities are passed by more than two-thirds voting rights and in the board of directors of these entities are passed by majority votes. Therefore, the Directors concluded that the Group has control over those entities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial instruments

The Group's equity instruments at FVTOCI, amounting to RMB220,307,000 as at December 31, 2018 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 50 for further disclosures.

Provision of ECL for trade receivables, contract assets and lease receivables

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets arising from contracts with customers and lease receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables, lease receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL, the Group's trade and lease receivables, and contract assets are disclosed in notes 50, 29, and 30 respectively.

Construction costs allocation

Certain projects of the Group are divided into several phases according to the development and delivery plans. Cost of sales including construction cost specific to the phases and common costs allocated to the phases are calculated based on the management's best estimation of the total development costs for the whole project and the allocation to each phase. When the actual common costs incurred are significantly more or less than expected, or changes in circumstances which result in revision of the management's estimates, the effect of such change is recognized prospectively in the profit or loss in the period of the change.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Primary land construction and development contracts

The Group carried out primary land construction and development projects for the Beijing Municipal People's Government (the "BMPG"). The Group recognized contract revenue on the primary land construction and development projects by reference to the recoverable costs incurred plus the fixed margin in accordance with relevant rules and regulations issued by the BMPG and other relevant agreements. Construction and development costs mainly comprise resettlement compensation, sub-contracting charges and costs of construction materials and are estimated by the management by reference to quotations provided by contractors and vendors and the past experience of the management. Estimation of the contract revenue and recoverable costs is subject to final approval from the BMPG. The Directors estimate contract revenue and recoverable costs based on latest available budgets of each primary land construction and development projects and current market conditions to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. The final amounts will be approved by the BMPG and the differences from the estimation and approval will effect contract profit in the period in which the approval has been obtained.

Valuation of investment properties

External valuer was engaged to carry out an independent valuation of the Group's investment property portfolio as at December 31, 2018. The fair value of each investment property is individually determined at the end of the reporting period. The external valuer has applied the income capitalization approach and the direct comparison method. These methodologies are based on an estimation of future results, a set of assumptions and a determination of relevant key inputs specific to each property to reflect its tenancy and cashflow profile. Changes to these estimation, assumptions and key inputs would result in changes in the fair values of the Group's investment properties and the corresponding adjustments would be recognized in profit or loss.

Valuation of properties under development for sale acquired in business combination

External valuer was engaged to carry out an independent valuation of the fair value of the identifiable assets and liabilities acquired in business combination as detailed in note 44 as of the date of acquisition. The fair value of each property under development for sale is individually determined at the date of acquisition as the significant judgements involved in the valuation. The valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value of properties under development for sale as of the date of acquisition. The management determined the fair value of the Group's properties under development for sale, together with other identifiable assets acquired and liabilities incurred, as of the date of acquisition with the assistance of an external valuer. The external valuer has applied the income approach and the direct comparison method. These methodologies are based on an estimation of future results, a set of assumptions and a determination of relevant key inputs specific to each property to reflect its cashflow profile.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Income tax expense

Deferred tax assets of RMB510,513,000 (2017: RMB404,235,000) were recognized as at December 31, 2018, after offsetting certain deferred tax liabilities as set out in note 24. No deferred tax assets were recognized on the tax losses of RMB349,905,000 (2017: RMB217,419,000) due to the unpredictability of future profit streams. The recognition of the deferred tax assets mainly depends on whether sufficient taxable profits or taxable temporary differences will be available in the future. The Directors determined the deferred tax assets based on the enacted or substantially enacted tax rates and profit forecasts of the Group for coming years during which the deferred tax assets are expected to be utilized. The Directors reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, or changes in facts and circumstances, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not yet finalized their LAT calculations and payments with local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of LAT and its related enterprise income tax. The Group recognized the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense in the period in which such tax is finalized with local tax authorities.

LAT payable of the Group amounted to RMB1,666,300,000 (2017: RMB1,489,095,000) as at December 31, 2018.

5. REVENUE

For the year ended December 31, 2018

(i) Disaggregation of revenue from contracts with customers

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Total RMB'000
Geographical market					
Mainland China	5,924,612	156,451	—	21,231	6,102,294
Timing of revenue recognition					
A point in time	5,924,612	—	—	—	5,924,612
Over time	—	156,451	—	21,231	177,682
Total	5,924,612	156,451	—	21,231	6,102,294

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Total RMB'000
Revenue disclosed in segment information					
External customers	5,924,612	156,451	510,191	21,231	6,612,485
Less: rental income	—	—	(510,191)	—	(510,191)
Revenue from contracts with customers	5,924,612	156,451	—	21,231	6,102,294

5. REVENUE (continued)

For the year ended December 31, 2018 (continued)

(ii) Performance obligations for contracts with customers

Properties sales arising from property development (revenue recognized at a point in time)

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are with no alternative use. Taking into consideration of the relevant contract terms, the legal environment, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognized at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives a deposit ranging from 10% to 20% of the contract price from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer a discount to certain customers, provided that the customers agree to make a full payment during the construction period. Such advance payment will be recognized as contract liabilities.

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the construction period, a corresponding increases in revenue will be recognized when control of the completed property is transferred to the customer.

Construction and development services from primary land construction services (revenue recognized over time)

The Group provides primary land construction services in order to access potentially available land reserves for property development. Such services are recognized as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognized for these construction services based on the stage of completion of the contract using input method.

A contract asset, net of contract liability related to the same contract, is recognized over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Property management and related services (revenue recognized over time)

Revenue arising from property management and related services is generally recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

5. REVENUE (continued)

For the year ended December 31, 2017

An analysis of the Group's revenue for the year ended December 31, 2017 is as follows:

	RMB'000
Property sales	6,381,746
Construction and development services	75,095
Property rental	310,293
Property management and related services	20,281
Total	6,787,415

6. SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Directors) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments.

Property investment: This segment derives rental income from investment properties developed by the Group.

Property management and related services: This segment derives income from property management and related services.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is the analysis of the Group's revenue and results by reportable and operating segment.

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Total RMB'000
Year ended December 31, 2018					
Revenue from external customers and segment revenue	**5,924,612**	**156,451**	**510,191**	**21,231**	**6,612,485**
Segment profit	**1,583,508**	**2,426**	**354,603**	**8,587**	**1,949,124**
Year ended December 31, 2017					
Revenue from external customers and segment revenue	6,381,746	75,095	310,293	20,281	6,787,415
Segment profit	2,452,311	1,164	180,073	9,544	2,643,092

The segment profits can be reconciled to the profit before taxation as follows:

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Segment profit	**1,949,124**	2,643,092
Other gains and losses	**67,364**	161,185
Other income	**159,267**	88,241
Change in fair value of investment properties	**907,791**	955,743
Unallocated administrative expenses	**(64,536)**	(29,819)
Other expenses	**(53,252)**	(45,676)
Share of losses of joint ventures	**(11,939)**	(936)
Share of losses of associates	**(10,905)**	(6,014)
Finance costs	**(245,446)**	(198,683)
Consolidated profit before tax	**2,697,468**	3,567,133

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other gains and losses, other income, change in fair value of investment properties, other expenses, share of losses of joint ventures, share of losses of associates, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and performance assessment.

Other segment information

Amounts included in the measurement of segment profit:

	Property development RMB'000	Primary land construction and development service RMB'000	Property investment RMB'000	Property management and related services RMB'000	Unallocated amount RMB'000	Total RMB'000
Year ended December 31, 2018						
Depreciation and amortization	25,355	—	4,800	5,249	38,861	74,265
Release of prepaid lease payments	—	—	81	26	5,928	6,035
Year ended December 31, 2017						
Depreciation and amortization	16,164	—	5,254	7,905	3,884	33,207
Release of prepaid lease payments	—	—	81	26	5,928	6,035

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Geographical information

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in the PRC based on geographical location of the assets or the associates' and joint venture's operation, as appropriate.

Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the years ended December 31, 2018 and 2017.

7. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Net foreign exchange (losses) gains	**(54,320)**	161,278
Gain (loss) on disposal of property, plant and equipment	**15**	(93)
Gain on disposal of a subsidiary (note 45)	**405**	—
Gain from changes in fair value of financial assets at FVTPL	**14**	—
Gain from remeasurement of previously held equity interest (note 44)	**121,250**	—
	67,364	161,185

8. OTHER INCOME

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest income from related parties	**123,947**	69,884
Interest income from bank deposits	**13,016**	10,081
Interest income from entrusted financial products	**8,664**	—
Total interest income	**145,627**	79,965
Compensation received	**4,332**	2,437
Others	**9,308**	5,839
	159,267	88,241

9. OTHER EXPENSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Donations	**28,725**	27,896
Compensation paid	**21,546**	13,159
Others	**2,981**	4,621
	53,252	45,676

10. FINANCE COSTS

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest on bank borrowings	**1,101,531**	1,102,090
Interest on corporate bonds	**260,119**	282,137
Interest on senior notes	**358,780**	121,210
Interest on trust borrowings	**539,119**	210,589
Interest on significant financing component of contract liabilities	**402,582**	—
Exchange loss on senior notes and borrowings	**319,846**	—
Total interest expenses	**2,981,977**	1,716,026
Less: Amounts capitalized to properties under development and investment properties under construction	**(2,736,531)**	(1,517,343)
	245,446	198,683

Interests capitalized arose from borrowings made specifically for the purpose of constructing the qualifying assets, which bore annual interest at rates from 4.75% to 10.00% (2017: 4.75% to 9.80%) per annum and general borrowings pool calculated by applying a capitalization rate of 10.27% (2017: 7.01%) per annum on expenditure on the qualifying assets.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Directors' emoluments (note 12)	11,559	12,083
Other staff costs:		
– Salaries and other benefits	363,939	306,153
– Retirement benefit contributions	24,174	24,146
– Equity-settled share-based payments	—	4,831
Total staff costs	399,672	347,213
Less: Amounts capitalized to properties under development and investment properties under construction (Note)	(144,390)	(190,764)
	255,282	156,449
Cost of properties sold recognized as expense	3,802,042	3,471,511
Auditor's remuneration	5,141	4,186
Depreciation of property, plant and equipment	72,280	31,715
Amortization of intangible assets (included in administrative expenses)	1,985	1,492
Release of prepaid lease payments (included in administrative expense)	6,035	6,035
Operating lease rental expenses	2,040	1,793
Rental income from investment properties	(510,191)	(310,293)
Less: direct operating expense	136,474	117,204
	(373,717)	(193,089)

Note: The amount capitalized mainly represents costs of certain staff of the project management department and the design department, who were assigned to construction sites and engaged in specific construction projects directly.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonuses RMB'000	Retirement benefit contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2018						
Executive Directors						
Mr. Zhang Zhangsun	—	3,000	—	—	—	3,000
Ms. Ruan Wenjuan	—	3,035	100	55	—	3,190
Ms. Zhang Jin	—	1,880	355	35	—	2,270
Mr. Ge Weiguang	—	2,070	50	55	—	2,175
Independent Non-Executive Directors						
Mr. Luo Zhenbang	308	—	—	—	—	308
Mr. Lai Siming	308	—	—	—	—	308
Ms. Chen Jingru	308	—	—	—	—	308
	924	9,985	505	145	—	11,559
For the year ended December 31, 2017						
Executive Directors						
Mr. Zhang Zhangsun	—	2,600	400	—	—	3,000
Ms. Ruan Wenjuan	—	2,919	450	51	125	3,545
Ms. Zhang Jin	—	2,082	179	32	125	2,418
Mr. Ge Weiguang	—	1,994	170	51	125	2,340
Independent Non-Executive Directors						
Mr. Luo Zhenbang	260	—	—	—	—	260
Mr. Lai Siming	260	—	—	—	—	260
Ms. Chen Jingru	260	—	—	—	—	260
	780	9,595	1,199	134	375	12,083

Notes:

(a) Mr. Zhang Zhangsun is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(b) Ms. Ruan Wenjuan, Ms. Zhang Jin and Mr. Ge Weiguang are the executive directors and vice presidents of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Performances bonuses were determined by the management having regard to the performance of the directors and the Group's operating results.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors of the Company waived any emoluments in both years presented.

Of the five individuals with the highest emoluments in the Group, four (2017: four) are directors of the Company whose emoluments are disclosed above. The emolument of the remaining one (2017: one) individual is as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Salaries and other benefits	**2,181**	1,782
Performance bonuses	**475**	267
Retirement benefit contributions	**5**	5
Equity-settled share-based payment	**—**	1,982
	2,661	4,036

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follow:

	2018	2017
	Number of employees	Number of employees
Hong Kong dollars ("HK$")		
HK$3,000,001 to HK$3,500,000	**1**	—
HK$4,500,001 to HK$5,000,000	**—**	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current tax		
– PRC enterprise income tax	**438,057**	611,243
– PRC dividend withholding income tax	**35,000**	—
– LAT	**477,559**	797,135
Underprovision in respect of prior year	**242**	—
	950,858	1,408,378
Deferred tax (note 24)	**177,379**	119,244
Income tax expense	**1,128,237**	1,527,622

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007, the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the income tax rate of 25% effective from January 1, 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

In accordance with the PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, the PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or business in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the undistributed profits earned by the PRC subsidiaries since January 1, 2008 amounting to RMB4,825,427,000 (2017: RMB4,911,676,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

The income tax expense for the year can be reconciled from the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**2,697,468**	3,567,133
Tax at PRC enterprise income tax rate of 25%	**674,367**	891,783
LAT	**477,559**	797,135
Tax effect of LAT	**(119,390)**	(199,284)
Tax effect of expenses not deductible for tax purpose	**51,395**	15,348
Tax effect of income not taxable for tax purpose	**(30,313)**	—
Tax effect of share of results of associates	**2,726**	1,504
Tax effect of share of results of joint ventures	**2,985**	234
Tax effect of tax losses not recognized	**35,324**	20,911
Utilization of tax loss previously not recognized	**(1,658)**	(9)
PRC dividend withholding income tax	**35,000**	—
Underprovision in prior year	**242**	—
Income tax expense for the year	**1,128,237**	1,527,622

14. EARNINGS PER SHARE

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Earnings:		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**1,008,784**	1,749,841

	Year ended December 31, 2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,444,285**	4,434,150
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**19,761**	23,492
Share awards issued by the Company	**—**	5,772
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,464,046**	4,463,414

The number of shares adopted in the calculation of the basic earnings per share for the year ended December 31, 2017 has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

15. DIVIDENDS

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2018 Interim – nil (2017: 2017 interim dividend HK7.52 cents per share)	—	300,000
2017 Final – HK8.07 cents (2017: 2016 final dividend HK6.04 cents) per share	300,000	240,000
	300,000	540,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2018 of HK5.64 cents per share, totalling HK$250,665,000 (equivalent to RMB220,000,000) has been proposed by the board of directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

16. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
At January 1, 2017	9,844,500	6,830,000	16,674,500
Additions	122,249	792,708	914,957
Reclassification	5,329,818	(5,329,818)	—
Net increase in fair value recognized in profit or loss	887,633	68,110	955,743
Transfers to property, plant and equipment	(597,931)	—	(597,931)
Transfers from property, plant and equipment	361,000	—	361,000
At December 31, 2017	15,947,269	2,361,000	18,308,269
Additions	—	263,503	263,503
Net increase in fair value recognized in profit or loss	839,112	68,679	907,791
Transfer from properties held for sale	76,897	—	76,897
Transfer to property, plant and equipment	(240,206)	—	(240,206)
Transfer from properties under development for sale	—	228,818	228,818
At December 31, 2018	16,623,072	2,922,000	19,545,072

16. INVESTMENT PROPERTIES (continued)

The investment properties are all situated in the PRC. The fair value of the Group's investment properties, including the Group's property interests held under operating leases classified and accounted for as investment properties as at December 31, 2018 and 2017 have been arrived at on the basis of valuations carried out on those dates by Colliers International (Hong Kong) Ltd, a firm of independent qualified external valuer not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

As at December 31, 2018, the valuations of completed investment properties are arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income approach by undertaking an estimation of future cash flows and taking into account the time value of money. The income is projected over the investment cycle and the net income is calculated after the deduction of capital, operating, and other necessary expenses.

As at December 31, 2017, the valuations of completed investment properties are arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land and building by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risks associated with the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of the Group's investment properties at December 31, 2018 and 2017 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 in both years.

16. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used). The Group considered multiple valuation techniques to the extent appropriate. A fair value measurement is usually the point within that range that is most representative of fair value in the circumstances.

Investment properties of the Group	Significant unobservable input(s)			
Completed Investment Properties	Capitalization Rate % 2018	Discount Rate % 2018	Monthly Unit Rent on GFA RMB/sq.m./month 2018	Unit Sale Rate RMB/sq.m 2018
– Beijing Area				
– Office	4.25 - 4.50	7.00 – 7.50	183 - 348	36,500 – 82,000
– Retail	2.50 - 5.25	6.00 – 9.00	138 - 665	28,700 – 108,800
– Car Parking Space	3.50 - 4.25	4.50 – 5.25	950/lot	310,800 – 385,000/lot
– Shantou Area				
– Retail	6.50	8.50	General: 71 Large Tenant: 48	9,100
– Shenyang Area				
– Retail	5.00	8.00 – 8.50	54 - 97	6,600 - 10,100
– Haikou Area				
– Office	6.00	8.75	132	21,400

Investment Properties Under Construction	Capitalization rate % 2018	Discount rate % 2018	Monthly Unit Rent on GFA RMB/sq.m./month 2018	Unit Sale Rate RMB/sq.m 2018	Expected develop profit margin % 2018	Total development costs to completion RMB 2018
– Shenzhen Area						
– Office	5.00	8.50	140	—	2.5	76,769,070
– Foshan Area						
– Retail	5.50	9.00	244	17,700	15.0	2,280,000,000
– Car Parking Space	5.50	9.00	571/lot		15.0	
– Handan Area						
– Retail	6.50	9.00	50	6,100	10.0	632,022,471

16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Significant unobservable input(s)		
Completed Investment Properties	Capitalization Rate	Monthly Unit Rent on GFA	Unit Sale Rate
	%	RMB/sq.m./month	RMB/sq.m
	2017	2017	2017
– Beijing Area			
– Office	4.25 - 5.00	170 - 350	34,800 – 75,400
– Retail	2.00 - 5.20	148 - 654	28,464 – 105,800
– Car Parking Space	3.25 - 3.75	900 - 1,035/lot	250,000– 317,500/lot
– Shantou Area			
– Retail	6.5 - 6.75	General: 71	12,250
– Shenyang Area			
– Retail	4.50 - 5.00	40-62	6,600 - 10,030

Investment Properties Under Construction	Capitalization rate	Monthly Unit Rent on GFA	Unit Sale Rate	Expected develop profit margin	Total development costs to completion
	%	RMB/sq.m./month	RMB/sq.m	%	RMB
	2017	2017	2017	2017	2017
– Shenzhen Area					
– Office	4.75	146	—	2.5	76,769,070
– Foshan Area					
– Retail	6.25	304	32,800	15.0	2,280,000,000
– Car Parking Space	4.00 - 6.25	555/lot	120,120/lot	15.0	

16. INVESTMENT PROPERTIES (continued)

A slight increase in the discount rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A significant increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa. Increases in the future development costs would result in a decrease in the fair value measurement of the investment properties by the same percentage increase, and vice versa. A significant increase in the expected profit margin would result in a significant decrease in fair value, and vice versa.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management works closely with the external valuer to establish the appropriate valuation techniques and inputs to the model.

The Group had pledged investment properties of approximately RMB17,675,155,000 (2017: RMB16,769,654,000) at December 31, 2018 to secure bank and trust borrowings granted to the Group as set out in note 46.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Electronic equipment and furniture RMB'000	Total RMB'000
Cost						
At January 1, 2017	148,530	59,299	67,122	63,130	25,627	363,708
Additions	6,594	80,376	22,503	7,949	4,487	121,909
Transfer from investment properties	597,931	—	—	—	—	597,931
Disposals	—	—	—	(2,594)	(1,171)	(3,765)
Transfer to investment properties	(98,991)	—	—	—	—	(98,991)
At December 31, 2017	654,064	139,675	89,625	68,485	28,943	980,792
Additions	—	633,151	19,039	3,258	5,303	660,751
Acquired on acquisition of subsidiaries (note 44)	—	—	—	7,375	1,712	9,087
Transfer from investment properties	240,206	—	—	—	—	240,206
Disposals	—	—	—	(397)	(222)	(619)
Disposal a subsidiary	—	—	—	—	(13)	(13)
At December 31, 2018	894,270	772,826	108,664	78,721	35,723	1,890,204
Depreciation						
At January 1, 2017	72,270	—	43,440	37,457	12,073	165,240
Charge for the year	9,107	—	10,019	8,046	4,543	31,715
Eliminated upon disposals	—	—	—	(2,405)	(1,076)	(3,481)
Transfer to investment properties	(62,940)	—	—	—	—	(62,940)
At December 31, 2017	18,437	—	53,459	43,098	15,540	130,534
Charge for the year	44,093	—	12,429	9,671	6,087	72,280
Eliminated upon disposals	—	—	—	(47)	(216)	(263)
At December 31, 2018	62,530	—	65,888	52,722	21,411	202,551
Carrying amounts						
At December 31, 2018	831,740	772,826	42,776	25,999	14,312	1,687,653
At December 31, 2017	635,627	139,675	36,166	25,387	13,403	850,258

17. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2018, leasehold land and buildings with carrying amount of approximately RMB814,801,000 (2017: RMB617,349,000) were pledged to banks to secure bank and trust borrowings granted to the Group as set out in note 46.

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 years
Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicles	5 years
Electronic equipment and furniture	5 years

As at December 31, 2018, the Group was in the process of obtaining the certificates of land use rights of RMB417,897,000 (2017: nil) from the relevant authorities.

18. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group comprise software licenses and payments for an urban redevelopment project and a village-in-city redevelopment project.

The software licenses have finite useful lives and are amortized on a straight-line basis over 6 years. As at December 31, 2018, the carrying amount of software licenses is RMB14,545,000 (2017: RMB14,330,000), which are made up of cost of RMB23,484,000 (2017: RMB21,284,000) and accumulated amortization of RMB8,939,000 (2017: RMB6,954,000).

The remaining balance of other non-current assets relates to the payments and costs described as below:

(a) The Group acquired an urban redevelopment project during the year ended December 31, 2016 through the acquisition of a subsidiary, Shenzhen Dachaoshan, which entered into an agreement with an entity established by the local authority for an urban redevelopment project in Shenzhen. As at the acquisition date, Shenzhen Dachaoshan has made payments to acquire certain non-agricultural ratio and has the exclusive right to seek government approval for the commencement of the urban redevelopment project after achieving the minimal threshold of the non-agricultural ratio stipulated in the agreement. The urban redevelopment project includes several units and is intended to be developed in different phases. Shenzhen Dachaoshan has obtained approvals from the relevant government authorities in relation to the redevelopment of the first unit. The Directors are confident that Shenzhen Dachaoshan will be able to meet the non-agricultural ratio requirement for the rest of the units in the region and approvals from the relevant authorities will ultimately be obtained in the future. The recovery of the carrying amount will be through the returns to be generated from this urban redevelopment project of which the redevelopment right will be granted exclusively to Shenzhen Dachaoshan upon approval. As at December 31, 2018, the carrying amount of this non-current asset is RMB1,067,712,000 (2017: RMB1,039,448,000).

(b) The Group acquired a village-in-city redevelopment project in the current year through acquisition of a subsidiary, Shijiazhuang Guosha Real Estate Development Co., Ltd. 石家莊國廈房地產開發有限公司 ("Shijiazhuang Guosha"). Shijiazhuang Guosha entered into a collaborative agreement with local government in Shijiazhuang. The local government has the responsibility to provide collective land, while Shijiazhuang Guosha is responsible for financial contribution of construction. As at the acquisition date, Shijiazhuang Guosha has made payments to the project and acquired land use right for one piece of land which was accounted for as properties under development for sale. The remaining balance of advance payment for those land use right and the development right of land are accounted for as other non-current assets.

    The Directors are confident that Shijiazhuang Guosha will be able to acquire the land use right for property development. The prepayments will be recovered through return from sale of commodity housings. As at December 31, 2018, the carrying amount of the non-current assets is RMB327,000,000 (2017: nil).

    Details of the acquisitions are set out in note 44.

19. INTERESTS IN JOINT VENTURES

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Cost of investment in joint ventures	**35,500**	10,000
Share of post-acquisition losses	**(11,125)**	(936)
	24,375	9,064

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Proportion of ownership interest held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activity
Beijing Maorui Properties Co.,Ltd. ("Maorui Zhiye") 北京茂瑞置業有限公司	PRC	**20%**	20%	Property development
Beijing Ruimao Zhiye Co.,Ltd. ("Ruimao Real Estate") 北京瑞茂房地產開發有限公司	PRC	**25.5%**	N/A	Property development

Note: The Group holds 20% (2017: 20%) of the registered capital of Maorui Zhiye and 25.5% (2017: nil) of the registered capital of Ruimao Real Estate, which is newly established in current year, and the relevant activities of both investees require the unanimous consent of the parties sharing control. Accordingly, both entities are classified as joint ventures of the Group.

Aggregate information of joint ventures that are not individually material

	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000
The Group's share of loss and total comprehensive expense	**(11,939)**	(936)
Aggregate carrying amount of the Group's interests in these joint ventures	**24,375**	9,064

20. INTERESTS IN ASSOCIATES

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Cost of investment in associates	7,000	275,260
Share of post-acquisition losses	(6,435)	(6,014)
	565	269,246

Details of the Group's associates at the end of reporting period are as follow:

Name of entity	Place of establishment and operation	Proportion of ownership interest by the Group 2018	Proportion of ownership interest by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activity
Wuxi Glory Real Estate Development Co., Ltd. ("Wuxi Glory") (note 45) 無錫國瑞房地產開發有限公司	PRC	49%	N/A	49%	N/A	Property development
Beijing Ruida Properties Co., Ltd. ("Ruida Zhiye") 北京鋭達置業有限公司	PRC	35%	35%	35%	35%	Property development
Jiangmen Yinghuiwan Estate Co., Ltd. ("Jiangmen Yinghuiwan") (Note) 江門映暉灣房地產有限公司	PRC	N/A	10%	N/A	20%	Property development
Guangdong Hongtai Guotong Estate Co., Ltd. (" Guangdong Hongtai Guotong") (Note) 廣東宏泰國通地產有限公司	PRC	N/A	10%	N/A	33%	Property development
Guangdong Guosha Estate Co., Ltd. ("Guangdong Guosha") (Note) 廣東國廈地產有限公司	PRC	N/A	10%	N/A	33%	Property development

20. INTERESTS IN ASSOCIATES (continued)

Name of entity	Place of establishment and operation	Proportion of ownership interest by the Group		Proportion of voting rights held by the Group		Principal activity
		2018	2017	2018	2017	
Tianjin Tianfu Rongsheng Real Estate Development Co., Ltd. ("Tianjin Tianfu Rongsheng") (Note) 天津天富融盛房地產開發有限公司	PRC	N/A	10%	N/A	33%	Property development
Sanya Jingheng Properties Co., Ltd. ("Sanya Jingheng") (Note) 三亞景恒置業有限公司	PRC	N/A	10%	N/A	33%	Property development
Handan Guoxia Real Estate Development Co., Ltd.("Handan Guoxia") (Note) 邯鄲市國夏房地產開發有限公司	PRC	N/A	10%	N/A	33%	Property development
Chongqing Guosha Estate Development Co., Ltd. ("Chongqing Guosha") (Note) 重慶國廈房地產開發有限公司	PRC	N/A	10%	N/A	33%	Property development

Note:

These entities became subsidiaries of the Group following by completion of the capital injection during the year. For details, please refer to note 44.

Aggregate information of associates that are not individually material

	Year ended December 31, 2018 RMB'000	2017 RMB'000
The Group's share of loss and total comprehensive expense	(10,905)	(6,014)
Aggregate carrying amount of the Group's interests in these associates	565	269,246

21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At December 31, 2018 RMB'000
Unlisted investments:	
– Equity securities (Note)	220,307

Note:

The above unlisted equity securities represent the Group's equity interest in private entities: (1) 1.23% equity interest in Bohai Life Ltd 渤海人壽保險股份有限公司 ("Bohai Life Limited"), a private entity established in the PRC which is principally engaged in insurance business, with a carrying amount of RMB215,307,000, and (2) 10% equity interest in Yongqing Jiyin Rural Bank Co., Ltd 永清吉銀村鎮銀行股份有限公司 ("Yongqing Jiyin Rural Bank"), a private entity established in the PRC which is principally engaged in banking operation, with a carrying amount of RMB5,000,000.

22. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31, 2017 RMB'000
Unlisted equity investments, at cost:	
Equity securities (Note)	165,192

Note:

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. Such investments are designated as equity instruments at FVTOCI upon application of IFRS 9 at January 1, 2018.

23. PREPAID LEASE PAYMENTS

	At December 31, 2018 RMB'000	2017 RMB'000
Prepaid lease payments	**281,501**	287,473
Analysed for reporting purposes as:		
Non-current	**275,466**	281,438
Current (included in trade and other receivables, deposits and prepayments)	**6,035**	6,035
	281,501	287,473

Prepaid lease payments are made for land use right in the PRC.

As at December 31, 2018, the Group had pledged the land use rights of approximately RMB278,637,000 (2017: RMB286,638,000) to secure bank and trust borrowings granted to the Group as set out in note 46.

24. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior years:

	Tax losses RMB'000	Temporary differences on sale deposits received RMB'000	LAT RMB'000	Fair value gain on properties RMB'000	Fair value change on equity instruments at FVTOCI RMB'000	Revaluation arising from business combination RMB'000	Others RMB'000 (Note)	Total RMB'000
At January 1, 2017	65,306	122,433	209,618	(2,219,678)	—	—	1,612	(1,820,709)
Credited (charged) to profit or loss	24,855	(39,674)	152,060	(258,313)	—	—	1,828	(119,244)
Charged to other comprehensive income	—	—	—	(81,237)	—	—	—	(81,237)
At December 31, 2017	90,161	82,759	361,678	(2,559,228)	—	—	3,440	(2,021,190)
Adjustments (note 2)	—	—	—	—	(16,177)	—	—	(16,177)
At January 1, 2018 (restated)	90,161	82,759	361,678	(2,559,228)	(16,177)	—	3,440	(2,037,367)
Credited (charged) to profit or loss	55,037	68,481	25,044	(311,767)	—	—	(14,174)	(177,379)
Credit to other comprehensive income	—	—	—	—	2,398	—	—	2,398
Acquisition of subsidiaries	—	—	—	—	—	(1,117,491)	—	(1,117,491)
At December 31, 2018	145,198	151,240	386,722	(2,870,995)	(13,779)	(1,117,491)	(10,734)	(3,329,839)

Note: The "others" mainly relates to temporary differences on sales commission, exceeding advertising fee and exceeding donation.

24. DEFERRED TAXATION (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Deferred tax assets	**510,513**	404,235
Deferred tax liabilities	**(3,840,352)**	(2,425,425)
	(3,329,839)	(2,021,190)

No deferred taxation asset has been recognized in respect of the following unutilized tax losses due to the unpredictability of future profit streams, estimated at the end of the reporting period. The unrecognized tax losses will expire in the following years:

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
To be expired on:		
December 31, 2018	**—**	2,178
December 31, 2019	**55,572**	55,572
December 31, 2020	**37,813**	37,813
December 31, 2021	**41,436**	41,436
December 31, 2022	**73,789**	80,420
December 31, 2023	**141,295**	—
Total unused tax losses not recognized as deferred tax assets	**349,905**	217,419

25. DEPOSITS PAID FOR ACQUISITION OF LAND

The amounts represent deposits paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC for the purpose of development for sale.

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

The properties under development for sale are located in the PRC.

As at December 31, 2018, certain of the Group's properties under development for sale with a carrying amount of approximately RMB15,378,746,000 (2017: RMB14,215,345,000) was pledged to secure bank and trust borrowings granted to the Group as set out in note 46.

In the opinion of the Directors, properties under development for sale with carrying amount of approximately RMB24,871,448,000 (2017: RMB11,080,121,000) as at December 31, 2018 are expected to be completed and realized after twelve months from the end of the reporting period.

As at December 31, 2018, the Group was in the process of obtaining the certificates of land use rights of RMB278,164,000 (2017: RMB1,625,970,000) from the relevant authorities.

27. JOINT OPERATION

On September 1, 2009, Glory Xingye (Beijing) Real Estate Co., Ltd 北京國瑞興業地產股份有限公司 ("Original Beijing Glory") entered into an agreement with an independent third party (the "Project Partner") in respect of a joint development project of Qinian Street Rebuild Primary Land Development Project in the PRC (the "Qinian Street Project").

Pursuant to the agreement, Original Beijing Glory and the Project Partner set up an operation committee to exercise joint control and manage the project together. The two parties contribute the funding, share revenue and bear costs equally.

The amount included in the consolidated financial statements arising from the joint operation is as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Analysis of profit or loss		
Revenue	**156,451**	75,095
Cost of sales and services	**(154,025)**	(73,931)
Profit before tax	**2,426**	1,164

The details of the assets arising from the joint operation are set out in note 30 (2017: note 32).

28. PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at the lower of cost and net realizable value and situated in the PRC. In the opinion of the Directors, properties held for sale of approximately RMB849,684,000 (2017: RMB254,594,000) as at December 31, 2018 are expected to be sold after twelve months from the end of the reporting period.

As at December 31, 2018, properties held for sale of approximately RMB473,279,000 (2017: RMB1,203,340,000) were pledged to secure bank and trust borrowings granted to the Group as set out in note 46.

29. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Pursuant to the lease agreements, lease payment is required to be settled in advance with no credit period being granted to the tenants. In respect of property sales, a credit period of six to twelve months may be granted to specific customers on a case-by-case basis.

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
– Receivables for property sales	**385,494**	470,182
– Others	**3,188**	668
Lease receivables	**78,052**	12,571
	466,734	483,421
Less: Allowance for credit losses		
– Lease receivables	**(3,027)**	(3,027)
	463,707	480,394
Advances to contractors and suppliers	**586,337**	274,537
Other receivables from independent third parties (Note)	**17,261**	17,261
Other receivables and prepayments, net of allowance	**336,227**	183,746
Prepaid lease payment - current portion (note 23)	**6,035**	6,035
Deposits	**886,913**	120,973
Total trade and other receivables	**2,296,480**	1,082,946

Note: Other receivables from independent third parties are of non-trade nature, unsecured, interest-free and repayable on demand.

As at December 31, 2018 and January 1, 2018, trade receivables from contracts with customers amounted to RMB388,682,000 and RMB407,315,000 respectively.

29. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The following is an aging analysis of trade and lease receivables net of allowance for credit losses presented based on the date of recognition of revenue at the end of the reporting period:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
0 to 60 days	**244,145**	281,666
61 to 180 days	**65,626**	66,121
181 to 365 days	**83,568**	59,737
1 to 2 years	**61,359**	21,715
Over 2 years	**9,009**	51,155
	463,707	480,394

As at December 31, 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB74,298,000 which are past due as at the reporting date. Out of the past due balances, RMB10,532,000 has been past due over 90 days and is not considered as default based on the Group's historical default rates of these counterparties taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort.

Upon the application of IFRS 9 on January 1, 2018, the Group applies simplified approach to provide lifetime ECL for trade receivables arising from contracts with customers. The loss allowance of these trade receivable as at December 31, 2018 was insignificant.

As at December 31, 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB59,743,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The following is an aging analysis of receivables based on due date.

	At December 31, 2017 RMB'000
Less than 1 year	25,756
1 to 2 years	27,669
Over 2 years	6,318
	59,743

29. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. As at December 31, 2017, all receivables that are neither past due nor impaired are due from customers with good settlement history.

Movement in the allowance for doubtful debts on trade receivables are set out as follows:

	Year ended December 31, 2017 RMB'000
Balance at the beginning and end of the year	3,027

Included in allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,027,000 which are due from debtors under financial difficulties. In addition, the Group assessed impairment on a collective basis. No further allowance for doubtful debts was recognized as at December 31, 2017.

30. CONTRACT ASSETS

	At December 31, 2018 RMB'000	At January 1, 2018* RMB'000
Construction and development services	1,176,365	1,191,139
Property sales	47,205	63,535
	1,223,570	1,254,674

* The amounts in this column are after the adjustments from the application of IFRS 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

All Contract assets are expected to be settled within the Group's normal operating cycle, and are classified as current.

Details of payment terms of construction and development services and property sales contracts are set out in note 5.

31. CONTRACT COSTS

	At December 31, 2018 RMB'000
Incremental costs to obtain contracts	36,321

Note: Contract costs capitalized as at December 31, 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognized as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognized. There was no impairment recognized during the year.

The Group applies the practical expedient and recognizes the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

32. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At December 31, 2017 RMB'000
Contract in progress	
Construction costs incurred plus recognized profits	1,991,139
Less: progress billings	(800,000)
	1,191,139

Contract in progress represents the Group's interest in the Qinian Street Project, which is recognized through a joint operation as detailed in note 27.

Amounts due from customers for contract work were reclassified to contract assets upon application of IFRS 15 on January 1, 2018, details please refer to note 30.

33. RESTRICTED BANK DEPOSITS

	At December 31, 2018 RMB'000	2017 RMB'000
Deposits pledged for banking facilities (Note (a))	**11**	224,995
Restricted bank deposits (Note (b))	**726,342**	303,312
Deposits pledged for mortgage loans granted to customers (Note (c))	**215,778**	198,174
	942,131	726,481
Analysed for reporting purposes as:		
Non-current (Note (d))	**462,980**	105,720
Current	**479,151**	620,761
	942,131	726,481

Notes:

(a) The amounts represent bank deposits denominated in RMB pledged to banks as security for certain banking facilities granted to the Group and disclosed in note 46.

(b) The amounts represent bank deposits for construction of pre-sale properties. In accordance with relevant government requirements, certain property development subsidiaries of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such bank deposits will be released after the completion of construction of the related properties.

(c) The amounts represent bank deposits pledged to banks as security for certain mortgage loans granted by the banks to the Group's customers. The pledged bank deposits will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

(d) Deposits pledged as security for mortgage loans of the Group's customers and restricted bank deposits that are not expected to be released within twelve months after the end of the reporting period are classified as non-current assets.

33. RESTRICTED BANK DEPOSITS (continued)

For the year ended December 31, 2018, the Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

The bank deposits carry prevailing market interest rates as follows:

	At December 31,	
	2018	2017
Range of interest rate per annum	**0.3%-3.25%**	0.30%

34. BANK BALANCES AND CASH

	At December 31,	
	2018 **RMB'000**	2017 RMB'000
Bank balances and cash	**1,030,143**	1,591,506

Cash and cash equivalents comprise bank balances and cash held by the Group.

The bank balances carry interest rates as follows:

	At December 31,	
	2018	2017
Range of interest rate per annum	**0.30%-3.8%**	0.30%~0.38%

Bank balances and cash as at December 31, 2018 were denominated in RMB and HK$, and RMB is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

For the year ended December 31, 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

35. TRADE AND OTHER PAYABLES

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Trade payables	**4,294,422**	4,099,193
Deposits received	**450,352**	431,967
Rental received in advance	**58,650**	49,361
Payable for acquisition of partial interest in a subsidiary	**12,000**	—
Accrued payroll	**54,460**	56,076
Business and other tax payable	**333,240**	386,111
Other payables and accruals	**1,510,203**	637,398
Dividends	**150,000**	15,000
	6,863,327	5,675,106
Analyzed for reporting purposes as:		
Non-current (Note)	**106,312**	89,393
Current	**6,757,015**	5,585,713
	6,863,327	5,675,106

Note:

Pursuant to the relevant agreements, rental deposits of approximately RMB106,312,000 (2017: RMB89,393,000) as at December 31, 2018 are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current liabilities.

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period of trade payable is 180 days.

The following is an aging analysis of trade payables based on invoice date at the end of the reporting period:

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
0 to 60 days	**2,071,849**	2,196,999
61-365 days	**728,126**	458,745
1-2 years	**520,522**	975,541
Over 2 years	**973,925**	467,908
	4,294,422	4,099,193

36. CONTRACT LIABILITIES

	At December 31, 2018 RMB'000	At January 1, 2018* RMB'000
Property sales	**11,208,252^**	3,380,371

* The amounts in this column are after the adjustments from the application of IFRS 15.

^ Included in the contract liabilities was an amount of RMB1,513,113,000 of which the Group has entered into directional agreement with the customers as at December 31, 2018.

All contract liabilities are expected to be settled within the Group's normal operating cycle, and are classified as current.

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

	Sales of properties RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	780,011

The deposits and advance payment received were recognized as contract liabilities throughout the property construction period until the customer obtains control of the completed property.

37. TAX PAYABLE

	At December 31,	
	2018 RMB'000	2017 RMB'000
LAT payable	**1,666,300**	1,489,095
Income tax payable	**1,207,775**	1,003,091
	2,874,075	2,492,186

38. BANK AND TRUST BORROWINGS

	At December 31, 2018 RMB'000	2017 RMB'000
Bank borrowings, secured	13,968,042	19,517,064
Trust borrowings, secured	9,330,942	4,710,000
	23,298,984	24,227,064
The borrowings are due to be repayable:		
On demand and within one year	9,037,963	11,625,399
More than one year, but not exceeding two years	4,645,161	6,427,891
More than two years, but not exceeding five years	3,167,987	3,185,080
More than five years	6,447,873	2,988,694
	23,298,984	24,227,064
Less: Amount due within one year shown under current liabilities	(9,037,963)	(11,625,399)
Amount shown under non-current liabilities	14,261,021	12,601,665

The Group's bank and trust borrowings are all denominated in RMB. Details of assets that have been pledged to secure bank and trust borrowings are set out in note 46.

Borrowings of approximately RMB8,770,342,000 (2017: RMB8,399,086,000), bearing interest at variable rate ranging from 4.75% to 8.50% (2017: 2.58% to 6.50%) per annum as at December 31, 2018 exposed the Group to cash flow interest rate risk. The remaining borrowings, bearing interest at fixed rate, ranging from 4.75% to 12.00% (2017: 5.90% to 8.75%) per annum as at December 31, 2018, exposed the Group to fair value interest rate risk.

38. BANK AND TRUST BORROWINGS (continued)

During the year ended December 31, 2017, loans amounting to RMB100,000,000 breached certain loan covenants of the bank borrowings, which are primarily related to the debt-equity ratio, and were under renegotiation between the Group and relevant bankers. These negotiations have not been concluded and waivers from the lenders for their rights to demand immediate payment have not been obtained as at the end of the reporting period. Accordingly, the loans are repayable on demand and have been classified as current liabilities as at December 31, 2017. These loans were fully settled in February 2019.

In July 2018, Suzhou Glory Real Estate Co., Ltd.蘇州國瑞地產有限公司 ("Suzhou Glory") entered into a trust loan agreement with China Minsheng Trust Co., Ltd中國民生信托有限公司 ("Mingsheng Trust"), in which the total credit facility granted is RMB1,500,000,000 bearing interest at 10.5% per annum. The loan is secured by land use rights in properties under development of Suzhou Glory and secured by 15% equity interest of Suzhou Glory. Besides the security, the loan is also guaranteed by Garden Group, Longhu Huamu and Mr. Zhang Zhangsun. Suzhou Glory has drawn down a loan of RMB1,357,500,000 in 2018. As at December 31, 2018, the loan balance of RMB1,346,889,000 is measured at amortized cost using the effective interest method. The loan will be repayable from July 2019 to November 2019.

In June 2018, Beijing Glory Real Estate (Holding) Co., Ltd北京國瑞興業房地產控股有限公司 ("New Beijing Glory") and Suzhou Glory, subsidiaries of the Company, entered into a triparty agreement with Mingsheng Trust. Pursuant to the agreement, the loan of RMB42,500,000 was provided by Mingsheng Trust as capital injection to Suzhou Glory, a subsidiary of New Beijing Glory. Upon receipt of the cash contribution, New Beijing Glory and Mingsheng Trust held 15.00% and 85.00% interests in Suzhou Glory, respectively.

In the opinion of the Directors, the loan is to finance the construction of the properties under development of Suzhou Glory; and the relevant investment agreement required: (i) New Beijing Glory is obliged to repurchased remaining 85.00% shares of Suzhou Glory transferred to Mingsheng Trust with a cash consideration of RMB42,500,000 on 13 July 2019; (ii) Mingsheng Trust does not have any influence over Suzhou Glory or undertake any risk of investment, but only entitled to a fixed interest rate at 10.50% per annum which should be paid quarterly during the 12 month of investment period. In the opinion of the Directors, the arrangement is in substance a financing arrangement from Mingsheng Trust. The Group classified the above loan as a financial liability, and continues to consolidate all results as if Suzhou Glory is a wholly-owned subsidiary of the Group. As at December 31, 2018, the loan balance of RMB42,243,000 is measured at amortized cost using the effective interest method.

38. BANK AND TRUST BORROWINGS (continued)

Set out below were the details of the secured entrusted bank borrowings and trust borrowings:

Borrowers	Lenders	Withdrawn amount At December 31, 2018 RMB'000	Withdrawn amount At December 31, 2017 RMB'000	Loan Period	Interest Rate % per annum	Carrying amount At December 31, 2018 RMB'000	Carrying amount At December 31, 2017 RMB'000	Trustee
– Entrusted bank borrowings								
Original Beijing Glory	Bank of Beijing Co., Ltd	1,200,000	1,200,000	October 2017 to October 2032	6.05	700,000	1,200,000	Beijing Branch of Bank of Beijing Co., Ltd
Original Beijing Glory	Shanghai Haitong Securities Management Co., Ltd	1,400,000	1,400,000	October 2016 to October 2018	7.00	—	1,400,000	Ziyang Minsheng Rural Banking
Glory Xingye (Beijing) Investment Co., Ltd 國瑞興業(北京)投資有限公司("Glory Investment")	Bosera Capital Management Co., Ltd	1,880,000	1,880,000	January 2017 to January 2019	6.50	180,000	1,880,000	China Bohai Bank Beijing Branch
Beijing Wenhuashengda Real Estate Development Co., Ltd北京文華盛達房地產開發有限公司 ("Beijing Wenhuashengda")	Bosera Capital Management Co., Ltd	1,388,000	1,388,000	December 2015 to December 2018	6.50	—	1,350,478	China Bohai Bank Beijing Branch
Foshan Guohua Properties Co., Ltd. 佛山市國華置業有限公司 ("Foshan Guohua")	Essence Securities Co., Ltd	1,650,000	1,650,000	May 2017 to May 2020	7.15	1,650,000	1,650,000	Bank of Tianjin Beijing Branch
Foshan Glory Southern Real Estate Development Co., Ltd佛山市國瑞南方地產開發有限公司 ("Foshan Glory Southern")	Shanghai Zhihua Investment Center (Limited Partnership)	670,000	670,000	July 2016 to July 2018	5.90	—	670,000	Bank of China Foshan Branch
Suzhou Glory	Southern Capital Management Co., Ltd	2,500,000	2,500,000	May 2016 to May 2018	8.00	—	2,250,000	Bank of Jiangsu Suzhou Wuzhong Branch
Subtotal		10,688,000	10,688,000			2,530,000	10,400,478	

38. BANK AND TRUST BORROWINGS (continued)

Borrowers	Lenders	Withdrawn amount At December 31, 2018 RMB'000	Withdrawn amount At December 31, 2017 RMB'000	Loan Period	Interest Rate % per annum	Carrying amount At December 31, 2018 RMB'000	Carrying amount At December 31, 2017 RMB'000	Trustee
– Trust borrowings								
New Beijing Glory	Minsheng Trust	1,700,000	1,000,000	February 2017 to October 2018	7.00 - 9.80	—	1,000,000	—
Suzhou Glory	Jiangsu International Trust Co., Ltd.	400,000	400,000	April 2017 to July 2018	6.50	—	350,000	—
Suzhou Glory	Minsheng Trust	1,357,500	—	July 2018 to November 2019	10.50	1,346,889	—	—
Suzhou Glory	Minsheng Trust	42,500	—	July 2018 to July 2019	10.50	42,243	—	—
Beijing Deheng Real Estate Development Co., Ltd北京國瑞德恒房地產開發有限公司("Beijing Deheng")	Chongqing International Trust Inc.	2,280,000	2,280,000	July 2017 to July 2019	8.00	2,280,000	2,280,000	—
Langfang Guoxing Real Estate Development Co., Ltd廊坊國興房地產開發有限公司("Langfang Guoxing")	China Credit Trust Co., Ltd.	1,080,000	1,080,000	August 2017 to August 2019	8.25 - 8.75	780,000	1,080,000	—
Original Beijing Glory	China Huarong Asset Management Co.,Ltd	1,038,810	—	January 2018 to December 2020	12.00	1,038,810	—	—
Original Beijing Glory	Western Trust Co.,Ltd	4,110,000	—	October 2018 to November 2036	8.48	3,843,000	—	—
Subtotal		12,008,810	4,760,000			9,330,942	4,710,000	
Total		22,696,810	15,448,000			11,860,942	15,110,478	

39. CORPORATE BONDS

Corporate bonds issued in 2015 (the "2015 Corporate Bonds")

On November 11, 2015, Garden Group, a wholly-owned subsidiary of the Company, has issued its first tranche of domestic corporate bonds to the public in the PRC ("First Tranche Issue") with a principal amount of RMB2,000,000,000, bearing interest at the coupon rate of 7.25% per annum, payable annually, and has a term of 5 years. On December 22, 2015, Garden Group has issued the second tranche of domestic corporate bonds to the public in the PRC ("Second Tranche Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 7.47% per annum, payable annually, and has a term of 5 years.

According to the terms and conditions of the 2015 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before November 10 and December 21, 2018 respectively. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the First Tranche Issue and Second Tranche Issue of 2015 Corporate Bonds is approximately 7.61% and 7.64% per annum after the adjustment for transaction costs.

In 2018, principal amount of First Tranche Issue and Second Tranche Issue amounting to RMB1,945,650,000 and RMB999,680,000 respectively were redeemed by the bondholders. The maturity dates of the remaining 2015 Corporate Bonds are November 10 and December 21, 2020 respectively.

The carrying amount of 2015 Corporate Bonds is approximately RMB54,670,000 (December 31, 2017: RMB2,992,645,000) and the corresponding interest in accrual is approximately RMB551,000 (December 31, 2017: RMB22,246,000) as at December 31, 2018.

Corporate bonds issued in 2016 (the "2016 Corporate Bonds")

On September 22, 2016, Garden Group issued its first tranche of domestic corporate bonds through non-public offering in the PRC ("First Tranche Non-public Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 5.3% per annum, payable annually, and has a term of 5 years. The 2016 Corporate Bonds are secured by certain investment properties of the Group.

According to the terms and conditions of the 2016 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before September 21, 2019. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the 2016 Corporate Bonds is approximately 5.47% per annum after the adjustment for transaction costs.

39. CORPORATE BONDS (continued)

Corporate bonds issued in 2016 (the "2016 Corporate Bonds") (continued)

The carrying amounts of 2016 Corporate Bonds is approximately RMB998,765,000 (December 31, 2017: RMB997,006,000) and the corresponding interest in accrual is approximately RMB13,504,000 (December 31, 2017: RMB13,156,000) as at December 31, 2018.

2016 Corporate Bonds are subject to the redemption at the option of the bondholders in 2019 and have been classified as current liabilities as at December 31, 2018.

40. SENIOR NOTES

2017 Senior Notes

On March 21, 2017, the Company issued senior notes with an aggregate nominal value of United States dollars ("US$") 300,000,000 ("2017 Senior Notes") at face value. The 2017 Senior Notes, bearing interest at 7.00% per annum, payable semi-annually from September 21, 2017 will mature on March 21, 2020. The effective interest rate is approximately 7.82% per annum after the adjustment for transaction costs. The 2017 Senior Notes are listed on the Stock Exchange.

According to the terms and conditions of the 2017 Senior Notes, the Company may at its option ("early redemption options") to redeem the 2017 Senior Notes in the following circumstances: (1) On 21 March, 2019, the Company may redeem the 2017 Senior Notes, in whole and not in part, at the redemption price equal to 100% of the principal amount of the 2017 Senior Notes redeemed plus accrued interest, if any, on the 2017 Senior Notes redeemed, to (but not including) the date of redemption. (2) At any time prior to March 21, 2019, the Company may redeem the 2017 Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the redeemed 2017 Senior Notes plus the applicable premium as of, and accrued interest, if any, to (but not including) the redemption date. Applicable premium means with respect to 2017 Senior Notes at any redemption date, the greater of (i) 1.00% of the principal amount of such notes and (ii) the excess of (A) the present value at such redemption date of the principal amount of such notes on March 21, 2019, plus all required remaining scheduled interest payments due on such notes through March 21, 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such notes on such redemption date. (3) At any time and from time to time prior to March 21, 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Senior Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.00% of the principal amount of the 2017 Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2017 Senior Notes originally issued on the original issue date remains outstanding after such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The holders of 2017 Senior Notes have the right, at their option, to require the Company to repurchase all of their 2017 Senior Notes in cash, or any portion of the principal thereof that is equal to US$200,000 or an integral multiple of US$1,000 in excess thereof, on March 21, 2019 at the repurchase price equal to 100% of the principal amount of 2017 Senior Notes to be repurchased, plus accrued interest to, but excluding, March 21, 2019.

40. SENIOR NOTES (continued)

2017 Senior Notes (continued)

The Directors consider that the fair value of the early redemption options was insignificant on initial recognition and at December 31, 2017 and 2018.

The carrying amount of 2017 Senior Notes is approximately RMB2,056,004,000 (December 31, 2017: RMB1,940,948,000) and the corresponding interest in accrual is approximately RMB39,557,000 (December 31, 2017: RMB37,660,000) as at December 31, 2018. The fair value of 2017 Senior Notes at December 31, 2018 is approximately RMB1,798,254,000 (2017: RMB1,941,461,000) based on quoted market price and classified as level 1 of fair value hierarchy.

2017 Senior Notes are subject to the redemption option of the noteholders on March 21, 2019. Accordingly, it was classified as current liabilities as at December 31, 2018.

2018 First Tranche Senior Notes

On March 2, 2018, the Company issued senior notes with an aggregate nominal value of US$250,000,000 ("2018 First Tranche Senior Notes") at face value. 2018 First Tranche Senior Notes bearing interest at 10.20% per annum, payable semi-annually from September 2, 2018, will mature on March 1, 2019. The effective interest rate is approximately 11.94% per annum after the adjustment for transaction costs. 2018 First Tranche Senior Notes are listed on the Stock Exchange.

2018 First Tranche Senior Notes may be redeemed in the following circumstances:

(1) At any time prior to March 1, 2019, the Company may at its option to redeem the 2018 First Tranche Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2018 First Tranche Senior Notes plus the applicable premium as of, and accrued and interest, if any, to (but not including) the redemption date.

(2) At any time and from time to time prior to March 1, 2019, the Company may redeem up to 35% of the aggregate principal amount of 2018 First Tranche Senior Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.2% of the principal amount of 2018 First Tranche Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of 2018 First Tranche Senior Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The Company will give not less than 30 days notice of any redemption.

The Directors consider that the fair value of the above early redemption options was insignificant on initial recognition and as at December 31, 2018.

The carrying amount of 2018 First Tranche Senior Notes is approximately RMB1,712,360,000 and the corresponding interest in accrual is approximately RMB57,069,000 as at December 31, 2018. The fair value of 2018 First Tranche Senior Notes as at December 31, 2018 is approximately RMB1,646,087,000 based on quoted market price and classified as level 1 of fair value hierarchy.

40. SENIOR NOTES (continued)

2018 Second Tranche Senior Notes

On June 7, 2018, the Company issued senior notes with an aggregate nominal value of US$100,000,000 ("2018 Second Tranche Senior Notes") at face value. 2018 Second Tranche Senior Notes bearing interest at 10.00% per annum payable semi-annually from December 7, 2018, will mature on June 7, 2020. The effective interest rate is approximately 11.03% per annum after the adjustment for transaction costs. 2018 Second Tranche Senior Notes are listed on the Stock Exchange.

2018 Second Tranche Senior Notes may be redeemed in the following circumstances:

(1) At any time prior to June 7, 2020, the Company may at its option to redeem 2018 Second Tranche Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2018 Second Tranche Senior Notes plus the applicable premium as of, and accrued interest, if any, to (but not including) the redemption date.

(2) At any time and from time to time prior to June 7, 2020, the Company may redeem up to 35% of the aggregate principal amount of 2018 Second Tranche Senior Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.0% of the principal amount of 2018 Second Tranche Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of 2018 Second Tranche Senior Notes originally issued on the original issue date remains outstanding after such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The Company will give not less than 30 days notice of any redemption.

The Directors consider that the fair value of the above early redemption options was insignificant on initial recognition and as at December 31, 2018.

The carrying amount of 2018 Second Tranche Senior Notes is approximately RMB677,419,000 and the corresponding interest in accrual is approximately RMB4,312,000 as at December 31, 2018. The fair value of 2018 Second Tranche Senior Notes as at December 31, 2018 is approximately RMB565,610,000 based on quoted market price and classified as level 1 of fair value hierarchy.

41. SHARE CAPITAL

	Number of shares	Share capital HK$	Equivalent to RMB'000
Ordinary shares of HK$0.001 each			
Authorized:			
At January 1, 2017, December 31, 2017 and 2018	10,000,000,000	10,000,000	
Issued and fully paid:			
At January 1, 2017	4,436,994,315	4,436,994	3,513
Exercise of share options (note 43)	6,352,671	6,353	6
At December 31, 2017	4,443,346,986	4,443,347	3,519
Exercise of share options (note 43)	1,071,000	1,071	1
At December 31, 2018	4,444,417,986	4,444,418	3,520

During the year ended December 31, 2018, share options to subscribe for 1,071,000 (2017: 6,352,671) ordinary shares with par value of HK$0.001 each were exercised at HK$1.428 (2017: HK$1.428) per share.

42. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage range from 12% to 20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the year ended December 31, 2018 amounted to RMB24,319,000 (2017: RMB24,280,000), represent contributions paid or payable to the scheme by the Group.

43. SHARE-BASED PAYMENT TRANSACTIONS

i. Share award scheme

Pursuant to the share award scheme adopted by the Company on June 5, 2014 (the "Share Award Scheme"), a total of four employees were awarded in aggregate 33,617,700 shares of the Company on June 16, 2014. The awarded shares will vest in three equal tranches on the first, second and third anniversary of the date on which the Company's shares are listed on the Stock Exchange (the "Listing Date"), respectively. On July 7, 2017, all shares had been vested to the employees.

The Group recognized the expense of RMB2,841,000 for the year ended December 31, 2017 in relation to the awarded shares.

The following table discloses movements of the awarded shares during the prior year:

	Outstanding at January 1, 2017	Vested during the year	Outstanding at December 31, 2017
Awarded shares	11,205,908	(11,205,908)	—

ii. Share Option Scheme

Pre-IPO Share Option Scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on June 5, 2014 (the "Pre-IPO Share Option Scheme"), the Company granted to 54 grantees options to subscribe for an aggregate of 67,076,800 shares of the Company on June 16, 2014 (the "Pre-IPO Share Option").

All options under the Pre-IPO Share Option Scheme were granted on June 16, 2014. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the offer price. All share options will be expired after 7 years since the grant date.

The vesting period of the Pre-IPO Share Option is as follows:

33.33%: from the date of grant to July 7, 2015

33.33%: from the date of grant to July 7, 2016

33.34%: from the date of grant to July 7, 2017

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

Pre-IPO Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended December 31, 2018:

	Outstanding at January 1, 2018	Exercised during the year	Lapsed during the year (Note)	Outstanding at December 31, 2018
Pre-IPO Share Option				
– Directors	10,500,000	—	—	10,500,000
– Other staff	43,813,814	(1,071,000)	(150,010)	42,592,804
	54,313,814	(1,071,000)	(150,010)	53,092,804
Exercisable at the end of the year				53,092,804
Weighted average exercise price (HK$)	1.428	1.428	1.428	1.428

	Outstanding at January 1, 2017	Exercised during the year	Forfeited during the year (Note)	Outstanding at December 31, 2017
Pre-IPO Share Option				
– Directors	10,500,000	—	—	10,500,000
– Other staff	50,416,483	(6,352,671)	(249,998)	43,813,814
	60,916,483	(6,352,671)	(249,998)	54,313,814
Exercisable at the end of the year				54,313,814
Weighted average exercise price (HK$)	1.428	1.428	1.428	1.428

Note: Certain share options granted under Pre-IPO Share Option Scheme were lapsed or forfeited during the years ended December 31, 2018 and 2017 because of the resignation of the employees.

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

Pre-IPO Share Option Scheme (continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.22 (2017: HK$2.54) per share.

The Group recognized the total expense of RMB2,365,000 for the year ended December 31, 2017 in relation to share options granted by the Company.

44. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2018

Acquisition of businesses

(i) Seven real estate project companies

On August 31, 2017, Garden Group, Heshan Tengyue Property Development Co., Ltd. 鶴山市騰悅房地產開發有限公司("Heshan Tengyue"), a company indirectly controlled by Mr. Zhang Zhangqiao (younger brother of Mr. Zhang Zhangsun, executive director and controlling shareholder of the Company), Great Strong International Co., Ltd. 強旺國際有限公司, original shareholder of Jiangmen Yinghuiwan (ultimately controlled by Mr. Zhang Zhangqiao), and Jiangmen Yinghuiwan entered into an equity acquisition and cooperation agreement, pursuant to which Garden Group will acquire 10% equity interest in Jiangmen Yinghuiwan from Heshan Tengyue at a consideration of RMB34,340,000 and cooperate in the projects of Jiangmen Yinghuiwan.

On August 31, 2017, Garden Group entered into the subscription and cooperation agreements with the respective shareholders of Guangdong Hongtai Guotong, Guangdong Guosha, Tianjin Tianfu Rongsheng, Sanya Jingheng, Handan Guoxia and Chongqing Guosha as defined in note 20, which were ultimately controlled by Mr. Zhang Zhangqiao, to make capital contributions to those entities, at a total consideration of RMB233,920,000 to obtain 10% equity interest of each entity.

Those companies were previously accounted for as associates of the Group as at December 31, 2017 as the Group has the right to appoint one director in the board of each entity and has significant influence over these entities.

On April 27, 2018, the Group decided to increase its shareholding in these entities and entered into capital contribution agreements with the following entities, together with their respective shareholders at a total consideration set out below. Upon signing of the capital contribution agreements and the amendment of the articles of associations of each entity, these entities became subsidiaries of the Group. These acquisitions were accounted for using the acquisition method.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2018 (continued)

Acquisition of businesses (continued)

(i) Seven real estate project companies (continued)

Name of subsidiaries	Capital contributions RMB'000	Capital of ownership interest held by the Group As at December 31, 2017	Capital of ownership interest held by the Group As at December 31, 2018
Jiangmen Yinghuiwan	170,169	10%	**52%**
Guangdong Hongtai Guotong	366,980	10%	**35%***
Guangdong Guosha	46,770	10%	**68%**
Tianjin Tianfu Rongsheng	171,060	10%	**35%***
Sanya Jingheng	253,820	10%	**35%***
Handan Guoxia	87,220	10%	**35%***
Chongqing Guosha	72,580	10%	**51%**
	1,168,599		

* Upon completion of the capital contribution, the Group held 35% equity interests of Guangdong Hongtai Guotong, Tianjin Tianfu Rongsheng, Sanya Jingheng and Handan Guoxia. According to the articles of association of these entities, the Group has 67% voting rights in the shareholders' meeting and has right to appoint 2 out of 3 directors in the board of directors of these entities. Resolutions in shareholders' meeting of these entities are passed by more than two-thirds voting rights and in the board of directors of these entities are passed by majority votes. Therefore, the Directors concluded that the Group has control over those entities.

(ii) Shijiazhuang Guosha

On November 23, 2018, Beijing Guoxing Wanxun Technology Trade Consulting Co., Ltd. 北京國興萬訊科貿諮詢有限公司 ("Guoxing Wanxun"), an indirect wholly-owned subsidiary of the Company, signed one subscription and cooperative development agreement to make capital contribution in Shijiazhuang Guosha which was originally controlled by Mr. Zhang Zhangqiao. Pursuant to the subscription and cooperative development agreement, Guoxing Wanxun will make capital contribution in Shijiazhuang Guosha of RMB356,100,000 to obtain its 51% equity interest. Upon completion of the capital contribution, Shijiazhuang Guosha became a subsidiary of the Group. The acquisition was accounted for using the acquisition method.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2018 (continued)

Acquisition of businesses (continued)

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	Seven real estate project companies RMB'000	Shijiazhuang Guosha RMB'000	Total RMB'000
Assets acquired and liabilities recognized at the date of acquisition:			
Property, plant and equipment	8,918	169	9,087
Other non-current assets	668	327,000	327,668
Properties under development for sale	8,553,279	1,877,048	10,430,327
Trade and other receivables, deposits and prepayments	1,017,092	29,113	1,046,205
Amounts due from related parties	1,299,842	—	1,299,842
Value added tax and tax recoverable	221,934	15,558	237,492
Bank balances and cash	694,238	35,931	730,169
Trade and other payables	(1,272,441)	(1,172,802)	(2,445,243)
Amounts due to related parties	(1,861,140)	—	(1,861,140)
Contract liabilities	(3,804,515)	(291,026)	(4,095,541)
Tax payable	(466)	—	(466)
Bank and other borrowings - due within one year	(200,000)	—	(200,000)
Bank and other borrowings - due after one year	(646,900)	(122,000)	(768,900)
Deferred tax liabilities	(959,790)	(157,701)	(1,117,491)
Fair value of net assets acquired	3,050,719	541,290	3,592,009
Bargain purchase gain:			
Fair value of 10% previously equity interests held by the Group	379,400	—	379,400
Plus: Non-controlling interests	2,586,084	439,065	3,025,149
Less: Fair value of net assets acquired	(3,050,719)	(541,290)	(3,592,009)
	(85,235)	(102,225)	(187,460)

The gain from bargain purchase amounted to RMB187,460,000 were recognized as a deemed contribution from a related party and recorded in "other reserve". The difference between the fair value of the previously equity interests held by the Group and the carrying amounts of such interests amounted to RMB121,250,000 was recognized in the profit or loss under "other gains and losses".

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2018 (continued)

Acquisition of businesses (continued)

The non-controlling interests in the subsidiaries recognized at the acquisition date were measured by reference to the proportionate share of net assets acquired.

Net cash inflow arising on acquisition:

	Seven real estate project companies RMB'000	Shijiazhuang Guosha RMB'000	Total RMB'000
Bank balances and cash acquired	694,238	35,931	730,169

For the year ended December 31, 2017

Acquisition of assets

In November 2017, State Wealth Holdings Limited 國豐控股有限公司 ("State Wealth"), a subsidiary of the Company, entered into an agreement with Chaotuan International Investment Limited 潮團國際投資有限公司 ("Chaotuan International Investment"), an independent third party, with respect to equity interests of Chaotuan International Limited 潮團國際有限公司 ("Chaotuan International") and its wholly owned subsidiary, Chaotuan International Trade Co., Ltd. 潮團國際商貿有限公司 ("Chaotuan Trade"). According to the agreement, State Wealth will subscribe for 611,111,111 shares of Chaotuan International at a consideration of RMB610,238,000. Upon completion, Chaotuan International will be 55% and 45% held by State Wealth and Chaotuan International Investment, respectively. During the year ended December 31, 2017, the Group subscribed RMB90,000,000 and obtained control of Chaotuan International. Chaotuan International and its subsidiary had not carried on any business or operations other than holding one parcel of land before the acquisition. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2017 (continued)

Acquisition of assets (continued)

The assets and liabilities of the subsidiary at the date of acquisition is as follow:

	Chaotuan International RMB'000
Assets acquired and liabilities recognized at the date of acquisition:	
Properties under development for sale	164,433
Bank balances and cash	90,015
Trade and other payables	(90,802)
Fair value of net assets acquired	163,646
Less: Non-controlling interests	(73,646)
	90,000
Satisfied by:	
Cash	90,000
Net cash (outflow) inflow arising on acquisition:	
Cash consideration	(90,000)
Bank balances and cash acquired	90,015
	15

45. DISPOSAL OF SUBSIDIARIES

In 2018, New Beijing Glory disposed of its 51% equity interest in Wuxi Glory to a third party at a nominal amount and Wuxi Glory became an associate of the Group.

The net liabilities of Wuxi Glory at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control were lost:	
Property, plant and equipment	13
Properties under development for sale	220,585
Trade and other receivables, deposits and prepayments	419
Bank balances and cash	131
Amounts due to related parties	(221,553)
Net liabilities disposed of	(405)
Gain on disposal of a subsidiary recognized in profit or loss	405
Net cash outflow arising on disposal:	
Less: Bank balances and cash disposed of	(131)
	(131)

46. PLEDGE OF ASSETS

The following assets were pledged to secure certain bank and trust borrowings granted to the Group at the end of each reporting period:

	At December 31,	
	2018 RMB'000	2017 RMB'000
Investment properties	**17,675,155**	16,769,654
Property, plant and equipment	**814,801**	617,349
Prepaid lease payments	**278,637**	286,638
Properties under development for sale	**15,378,746**	14,215,345
Properties held for sale	**473,279**	1,203,340
Restricted bank deposits	**11**	224,995
	34,620,629	33,317,321

46. PLEDGE OF ASSETS (continued)

As at December 31, 2018, bank deposits of RMB215,778,000 (2017: RMB198,174,000) were pledged as security for mortgage loans of the Group's customers.

The equity interest of the following companies were pledged to secure certain bank and other loans facilities granted to the Group:

	As at December 31, 2018 %	As at December 31, 2017 %
Foshan Glory Southern	100	100
Glory Investment	100	100
Beijing Wenhuashengda	100	100
Foshan Guohua	100	100
Shantou Glory Real Estate Development Co., Ltd. 汕頭市國瑞房地產開發有限公司 ("Shantou Glory")	100	100
Qidong Yujiangwan	—	90
Shantou Guorui Hospital Co., Ltd. 汕頭市國瑞醫院有限公司("Guorui Hospital")	100	100
Langfang Glory Real Estate Development Co., Ltd. 廊坊國瑞房地產開發有限公司 ("Langfang Glory")	100	100
Suzhou Glory	100	100
Beijing Deheng	100	100
Shenzhen Wanji Pharmaceutical Co., Ltd. 深圳萬基藥業有限公司 ("Shenzhen Wanji")	75	75
Hainan Junhe Industrial Co., Ltd. 海南駿和實業有限公司 ("Hainan Junhe")	51	51
Glory Xingye (Beijing) Industrial Co., Ltd 國瑞興業（北京）實業股份有限公司 ("Glory Industrial")	91	—
Guangdong Hongtai Guotong	35	—

46. PLEDGE OF ASSETS (continued)

Except as disclosed above, the Group pledged 100% equity interest in Hainan Glory Investment & Development Co., Ltd. 海南國瑞投資開發有限公司 ("Hainan Glory Investment") to Hai Kou New City Construction & Development Co., Ltd.海口新城區開發建設有限公司 ("Hai Kou New City") in order to secure the performance obligation as at December 31, 2018 and December 31, 2017. The pledge shall be released within 10 days after the completion of the construction contract. The Group also pledged its equity interest in Ruimao Real Estate to guarantee the agreed fixed return in respect of the capital contribution from Minsheng Trust.

47. COMMITMENTS

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respect of investment properties under development	**242,421**	258,097
– Construction of properties for own use	**644,841**	337,764
– Expenditure in respect of investment in a subsidiary	**—**	520,238
– Investment in a joint venture	**1,173,000**	—
	2,060,262	1,116,099

In addition to the above capital commitments, the Group had contracted expenditure in respect of properties under development for sale of RMB7,202,418,000 (2017: RMB3,557,378,000) as at December 31, 2018, which have not provided for in the consolidated financial statements.

48. CONTINGENT LIABILITIES

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Guarantees provided by the Group in respect of loan facilities utilized by		
– individual property buyers (Note)	**7,651,650**	7,607,905
– corporate property buyers (Note)	**43,366**	54,640
	7,695,016	7,662,545

Note: The Group has pledged certain restricted bank deposits (details set out in note 46) and provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties and under development properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low and a large portion of consideration from property sales contract has been received and recognized as contract liabilities.

Pursuant to the construction contract signed between Hainan Glory Real Estate Development Co., Ltd. 海南國瑞房地產開發有限公司 ("Hainan Glory") and Hai Kou New City on July 5, 2009, Hainan Glory pledged its 100% equity interest in Hainan Glory Investment to Hai Kou New City, the details of the pledge are disclosed in note 46.

49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank and trust borrowings as disclosed in note 38, and corporate bonds and senior notes as disclosed in notes 39 and 40, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, payment of dividends, as well as raising of bank and trust borrowings and redemption of bank and trust borrowings.

50. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,	
	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortized cost	6,153,684	—
Loans and receivables (including bank balances and cash)	—	5,993,142
Equity instruments at FVTOCI	220,307	—
AFS investments	—	165,192
Financial assets at FVTPL	—	97
	6,373,991	6,158,431
Financial liabilities		
Liabilities measured at amortized cost	37,785,151	35,918,453
Rental deposits received	142,321	123,424
	37,927,472	36,041,877

Financial risk management objectives and policies

The Group's financial instruments include AFS investments, financial assets at FVTPL, equity investments at FVTOCI, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and trust borrowings, corporate bonds and senior notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates and foreign currency exchange rates.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over each of the reporting period.

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, restricted bank deposits and bank and trust borrowings which carry at prevailing deposit interest rates or variable rate based on the interest rates quoted by the People's Bank of China.

The Group's fair value interest rate risk relates primarily to its fixed rate bank and trust borrowings, corporate bonds and senior notes. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates on variable rate bank and trust borrowings at the end of the reporting period. No sensitivity analysis has been presented for bank balances and restricted bank deposits as the management considers that the fluctuation in interest rates on bank balances and restricted bank deposits is minimal. For variable rate bank and trust borrowings, the analysis is prepared assuming the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis points (2017: 50 basis points) increase or decrease for variable rate bank and trust borrowings are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank and trust borrowings.

If interest rates had been increased/decreased by 50 basis points (2017: 50 basis points) in respect of variable rate bank and trust borrowings and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2018 (net of interest capitalization effect) would be decreased/increased by approximately RMB3,573,000 (2017: RMB3,647,000).

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(2) Foreign currency risk

The Group collects all of its revenue in RMB and incurs most of its expenditures in RMB.

The Group has certain restricted bank deposits, bank borrowings and senior notes in foreign currencies; hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities At December 31,		Assets At December 31,	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
HK$	**—**	138,110	**1,246**	10,540
US$	**4,445,783**	2,012,824	**692**	8,459
SGD$	**—**	—	**75**	—
	4,445,783	2,150,934	**2,013**	18,999

Sensitivity analysis

The sensitivity analysis below has been determined based on a 5% (2017: 5%) possible appreciation or depreciation in other currencies against RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 5% change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

For financial assets, if the foreign currencies appreciates 5% against RMB and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2018 would be increased by RMB101,000 (2017: RMB950,000). There would be an equal and opposite impact on post-tax profit for the year if the foreign currencies depreciates 5% against RMB.

For financial liabilities, if the foreign currencies appreciates 5% against RMB and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2018 would be decreased by RMB222,289,000 (2017: RMB107,547,000). There would be an equal and opposite impact on post-tax profit for the year if the foreign currencies depreciates 5% against RMB.

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(3) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. The Group invested in certain unquoted equity securities for investees involved in for long term strategic purposes which had been designed as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Credit risk and impairment assessment

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, amounts due from related parties, restricted bank deposits, bank balances and financial guarantees contract issued by the Group.

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 48.

To manage this risk, restricted bank deposits and bank balances are mainly placed with state-owned financial institutions and reputable banks. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group has no concentration of credit risk in respect of trade and other receivables, with exposure spread over a number of customers, who are individual purchasers for residential properties and various types of corporations and other business entities for commercial properties.

In order to minimize the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the management of the Group reviews regularly the recoverable amount of trade and other receivables at the end of each reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for credit losses, estimated by the Group's management based on historical settlement records, adjusts for forward-looking information and their assessment of the current economic environment. The Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. The Directors have performed impairment assessment for trade and other receivable and concluded that the credit losses of trade and other receivable as at 31 December 2018 was insignificant.

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group has concentration of credit risk on amounts due from related parties as at December 31, 2018 with details set out in note 52. The management of the Group considers the credit risk and probability of default are low for those related parties, no material loss allowance was recognized in respect of the amounts due from related parties accordingly.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties, the amount drawn down was held by the Group, and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings and its available credit facilities. The Directors closely monitor the liquidity position and ensure it has adequate sources of funding to finance the Group's projects and operations.

The management performs cash flow forecasts for the Group's operations and monitors the forecasts of the Group's liquidity requirements from time to time to ensure the Group has sufficient cash to meet its operational needs and settle liabilities when they fall due. The management takes into account the following considerations in projecting their cash flow forecasts: (a) estimated cash inflows from property sales; (b) further loans under provisional approvals of certain banks which are subject to application by the Group; and (c) senior loan notes for issue up to the amount of US$750 million (equivalent to approximately RMB5,000 million), the endorsement of which from the National Development and Reform Commission (國家發展和改革委員會) (that valid for the period till June 30, 2019) has been obtained. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operational needs. However, the current economic conditions continue to create uncertainty particularly over the level of demand for the Group's properties for sale and the availability of bank finances for the foreseeable future. Any delay or unavailability of any of the above measure or sources of finance would impact the Group's liquidity position. The management will closely monitor the liquidity position and set out alternative measures which include adjusting the construction progress as appropriate, reducing the Group's spending on land investments, accelerating sales with more flexible pricing and obtaining other external financing through security market.

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for variable rate financial liabilities is subject to change if change in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

		Undiscounted cash flows					
	Interest rate	On demand and Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2018							
Trade and other payables	—	4,721,783	—	—	—	4,721,783	4,721,783
Amounts due to related parties	—	4,265,166	—	—	—	4,265,166	4,265,166
Rental deposits received	—	36,009	28,364	77,948	—	142,321	142,321
Bank and trust borrowings							
– Fixed interest rate borrowings	4.75%-12.00%	7,951,969	3,628,426	1,885,952	3,722,087	17,188,434	14,528,642
– Variable interest rate borrowings	4.75%-8.50%	2,448,866	1,871,225	2,835,870	3,165,284	10,321,245	8,770,342
Corporate bonds	5.47%-7.64%	1,056,964	58,634	—	—	1,115,598	1,053,435
Senior notes	7.82%-11.94%	4,002,961	720,636	—	—	4,723,597	4,445,783
		24,483,718	6,307,285	4,799,770	6,887,371	42,478,144	37,927,472
Financial guarantee contracts		7,695,016	—	—	—	7,695,016	—
		32,178,734	6,307,285	4,799,770	6,887,371	50,173,160	37,927,472
At December 31, 2017							
Trade and other payables	—	4,867,561	—	—	—	4,867,561	4,867,561
Amounts due to related parties	—	893,229	—	—	—	893,229	893,229
Rental deposits received	—	34,031	20,815	68,578	—	123,424	123,424
Bank and trust borrowings							
– Fixed interest rate borrowings	5.90%-8.75%	9,091,478	5,178,416	2,004,391	1,069,366	17,343,651	15,827,978
– Variable interest rate borrowings	2.58%-6.50%	3,762,693	1,818,625	1,825,867	2,077,438	9,484,623	8,399,086
Corporate bonds	5.47%-7.64%	3,272,700	1,053,000	—	—	4,325,700	3,989,651
Senior notes	7.82%	211,700	2,086,762	—	—	2,298,462	1,940,948
		22,133,392	10,157,618	3,898,836	3,146,804	39,336,650	36,041,877
Financial guarantee contracts		7,662,545	—	—	—	7,662,545	—
		29,795,937	10,157,618	3,898,836	3,146,804	46,999,195	36,041,877

50. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Bank borrowings included in the "on demand and less than 1 year" time band in the above maturity analysis are loans which the Group breached certain covenants of those loans as detailed in note 38. As at December 31, 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to RMB100,000,000. These loans were fully settled in February 2019.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The Group's investment in funds of RMB97,000 as at December 31, 2017 is measured subsequent to initial recognition at fair value, are grouped into Level 2 and determined by reference to a discounted cash flows model based on expected interest rates.

The Group's investment in unlisted investments of RMB220,307,000 as at December 31, 2018 is measured at fair value, are grouped into Level 3.

	Fair value as at		Fair value	Valuation technique
Financial assets	**December 31, 2018**	**January 1, 2018**	**hierarchy**	**and key input**
Equity investments at fair value through other comprehensive income (see note 21)	RMB220,307,000	RMB229,900,000	Level 3	Market approach – the equity value of the company is derived by multiplying the average price-to-book ratio of the comparable companies at 1.84 (January 1, 2018: 1.6278) by the book value of the target company at the valuation date, with discount for lack of marketability ("DLOM") evaluated as 20.75% (January 1, 2018:12.88%).

Except as disclosed in notes 39 and 40, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

51. OPERATING LEASE ARRANGEMENT

(a) The Group as lessor

The properties held by the Group for rental purpose have committed tenants from six months to twenty years in which majority are fixed rental.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Within one year	628,302	332,710
In the second to fifth year inclusive	1,518,288	550,211
After fifth year	457,118	208,410
	2,603,708	1,091,331

(b) The Group as lessee

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Within one year	1,774	1,750
In the second to fifth year inclusive	732	340
After fifth year	326	210
	2,832	2,300

52. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following related party balances and transactions.

A. The following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Zhang Zhangsun	Executive Director and controlling shareholder of the Group
Ms. Ruan Wenjuan	Executive Director and spouse of Mr. Zhang Zhangsun
Ms. Zhang Jin	Executive Director and daughter of Mr. Zhang Zhangsun
Mr. Zhang Zhangqiao	Younger brother of Mr. Zhang Zhangsun
Beijing Glory Commercial Management Co., Ltd.* ("Glory Commercial Management") 北京國瑞興業商業管理有限公司	Controlled by Ms. Zhang Jin
Shantou Jinming Wujin Material Co., Ltd. * ("Jinming Wujin") 汕頭市金明五金材料有限公司	Controlled by Mr. Zhang Zhangsun
Foshan Yinhe Ruixing Commercial Management Co., Ltd.* ("Foshan Yinhe") 佛山市銀和瑞興商業管理有限公司	Controlled by Ms. Zhang Jin
Shenyang Glory Xingda Management Co., Ltd* ("Shenyang Xingda") 瀋陽國瑞興達企業管理有限公司	Controlled by Ms. Zhang Jin
Longhu Huamu	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Shantou Garden Hotel Management Co., Ltd.* ("Shantou Garden Hotel") 汕頭市花園賓館管理有限公司	Controlled by Mr. Zhang Zhangsun
Beijing Glory Property Services Co., Ltd. * ("Glory Services") 北京國瑞物業服務有限公司	Controlled by Mr. Zhang Zhangsun
Alltogether Land	Parent and ultimate holding company controlled by Mr. Zhang Zhangsun
Shenzhen Glory Industrial	Controlled by Mr. Zhang Zhangsun
Heshan Tengyue	Controlled by Mr. Zhang Zhangqiao
Guangdong Hongtai Guotong	Associate at December 31, 2017 (note 44)
Guangdong Guosha	Associate at December 31, 2017 (note 44)
Tianjin Tianfu Rongsheng	Associate at December 31, 2017 (note 44)
Sanya Jingheng	Associate at December 31, 2017 (note 44)
Handan Guoxia	Associate at December 31, 2017 (note 44)
Chongqing Guosha	Associate at December 31, 2017 (note 44)
Maorui Zhiye	Joint Venture

52. RELATED PARTY TRANSACTIONS (continued)

A. The following parties are identified as related parties to the Group and the respective relationships are set out below: (continued)

Name of related party	Relationship
Ruida Zhiye	Associate
Ruimao Real Estate	Joint Venture
Shantou Guoxia	Controlled by Mr. Zhang Zhangqiao
Hainan Glory Commercial Management Co.,Ltd.* ("Hainan Glory Commercial Management") 海南國瑞興業商業管理有限公司	Controlled by Ms. Zhang Jin
Xian Ruihe Xingda Commercial Management Co., Ltd.* ("Xian Ruihe") 西安瑞和興達商業管理有限公司	Controlled by Ms. Zhang Jin
Wuxi Glory	Associate at December 31, 2018 (note 45)
Shantou Garden Property Services Co., Ltd.* ("Shantou Garden Services") 汕頭市花園物業管理有限公司	Controlled by Ms. Zhang Jin

* The English name of the companies established in the PRC are for reference only and have not been registered.

52. RELATED PARTY TRANSACTIONS (continued)

B. At the end of the reporting period, the Group has deposit paid to or amounts receivable from the following related parties and the details are set out below:

Name of related party	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Trade nature (Note (i)):		
Glory Services	—	3,823
Foshan Yinhe	16,772	16,792
Shenyang Xingda	—	662
	16,772	21,277
Non-trade nature (Note (ii)):		
Ruida Zhiye	970,520	2,073,866
Shantou Guoxia	462,224	—
Maorui Zhiye	511,390	827,914
Ruimao Real Estate	458,376	—
Wuxi Glory	124,439	—
Foshan Yinhe	14,645	—
Glory Commercial Management	12,855	—
Glory Services	6,360	—
Shenzhen Glory Industrial	5,000	5,000
Longhu Huamu	4,000	—
Shenyang Xingda	860	—
Hainan Glory Commercial Manaegement	847	—
Xian Ruihe	440	—
Alltogether land	145	140
	2,572,101	2,906,920
Total	2,588,873	2,928,197

Notes:

(i) Balances of trade nature are unsecured, interest free and aged within one year.

(ii) Balances of non-trade nature are unsecured and repayable on demand. Included in the balances were RMB129,875,000 (2017: RMB73,143,000) bearing interest ranging from 4.35% to 9.30% (2017: 5.94% to 8.00%)

52. RELATED PARTY TRANSACTIONS (continued)

B. At the end of the reporting period, the Group has deposit paid to or amounts receivable from the following related parties and the details are set out below: (continued)

	Year ended December 31,	
Maximum amount outstanding for non-trade receivables	**2018 RMB'000**	2017 RMB'000
Ruida Zhiye	**2,073,866**	2,073,866
Shantou Guoxia	**462,223**	—
Maorui Zhiye	**827,914**	827,914
Ruimao Real Estate	**458,376**	—
Wuxi Glory	**124,439**	—
Foshan Yinhe	**14,645**	—
Glory Commercial Management	**12,855**	—
Glory Services	**6,360**	—
Shenzhen Glory Industrial	**5,000**	5,000
Longhu Huamu	**4,000**	—
Shenyang Xingda	**860**	—
Hainan Glory Commercial Manaegement	**847**	—
Xian Ruihe	**440**	—
Alltogether land	**145**	140
Total	**3,991,970**	2,906,920

52. RELATED PARTY TRANSACTIONS (continued)

C. At the end of the reporting period, the Group has amounts due to the following related parties and the details are set out below:

Name of related party	At December 31, 2018 RMB'000	2017 RMB'000
Trade nature: (Note (i))		
Glory Services	12,055	9,847
Shenyang Xingda	347	—
Glory Commercial Management	45	2,417
	12,447	12,264
Non-trade nature: (Note (ii))		
Shantou Guoxia	1,415,906	—
Longhu Huamu	1,528,011	—
Alltogether Land (Note (iii))	1,225,142	605,521
Ruimao Real Estate	82,820	—
Shantou Garden Services	650	—
Jinming Wujin	190	181
Shantou Garden Hotel	—	3
Ruida Zhiye	—	7,000
Guangdong Hongtai Guotong	—	67,020
Guangdong Guosha	—	11,370
Tianjin Tianfu Rongsheng	—	44,890
Sanya Jingheng	—	67,130
Handan Guoxia	—	31,430
Chongqing Guosha	—	12,080
Heshan Tengyue	—	34,340
	4,252,719	880,965
Total	4,265,166	893,229

Notes:

(i) Balances of trade nature are unsecured, interest free and aged within one year.

(ii) Balances of non-trade nature are unsecured, interest free and repayable on demand.

(iii) The amount represented dividend payable and advance from shareholder of the Company recorded under amounts due to related parties.

52. RELATED PARTY TRANSACTIONS (continued)

D. During the reporting period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended December 31, 2018 RMB'000	2017 RMB'000
Trade nature			
Glory Commercial Management	Property management services fee	**26,658**	42,978
Foshan Yinhe	Property management services fee	**514**	24,502
Shenyang Xingda	Property management services fee	**2,715**	3,838
Glory Services	Property management services fee	**10,925**	11,944

E. Mr. Zhang Zhangsun and Ms. Ruan Wenjuan have provided guarantees for certain bank loans and trust loans granted to the Group for nil consideration. As at December 31, 2018, the Group has bank loans and other loans guaranteed by Mr. Zhang Zhangsun and Ms. Ruan Wenjuan amounting to RMB10,030,182,000 (December 31, 2017: RMB12,221,178,000).

Mr. Zhang Zhangqiao and his spouse have provided guarantees for certain bank loans and trust loans granted to the Group for nil consideration. As at December 31, 2018, the Group has bank loans and other loans guaranteed by Mr. Zhangqiao and his spouse amounting to RMB564,700,000 (December 31, 2017: nil).

Longhu Huamu has provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. As at December 31, 2018, the Group has bank loans and other loans guaranteed by Longhu Huamu amounting to RMB1,389,132,000 (December 31, 2017: RMB 134,000,000).

Mr. Zhang Zhangsun has provided a guarantee to Minsheng Trust in respect of the fixed return as set out in note 46 amounting to approximately RMB1,173,000,000 as at December 31, 2018.

52. RELATED PARTY TRANSACTIONS (continued)

F. Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and other key management of the Group. The key management personnel compensation is as follows:

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Short-term employee benefits	**25,788**	26,010
Retirement benefit contributions	**596**	499
Equity-settled share-based payments	**—**	3,003
	26,384	29,512

53. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group At December 31, 2018	2017	Principal activities
Garden Group* ^	PRC	Paid up capital RMB48,000,000	100%	100%	Investment holding
Glory Industrial*	PRC	Paid up capital RMB458,224,110	91%	91%	Property development and rental business
Shantou Glory Construction Materials and Household Exhibition Center Co., Ltd.* 汕頭國瑞建材家居博覽中心有限公司	PRC	Paid up capital RMB200,000,000	90%	90%	Rental business
Original Beijing Glory*	PRC	Paid up capital RMB1,166,000,000	80%	80%	Property development primary land construction development services and rental business
New Beijing Glory*	PRC	Paid up capital RMB52,000,000	80%	80%	Rental business
Glory Investment*	PRC	Paid up capital RMB10,000,000	80%	80%	Property development
Wanning Glory Real Estate Development Co., Ltd.* 萬寧國瑞房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Hainan Tongcheng Industrial Co., Ltd.* 海南同城實業有限公司	PRC	Paid up capital RMB74,270,000	80%	80%	Property development

53. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group At December 31, 2018	2017	Principal activities
Hainan Nandujiang Industrial Development Co., Ltd.* 海南南渡江實業發展有限公司	PRC	Paid up capital RMB20,030,000	80%	80%	Property development
Haikou Hangrui Development Industrial Co., Ltd.* ("Haikou Hangrui") 海口航瑞實業發展有限公司	PRC	Paid up capital RMB110,104,100	80%	80%	Property development
Hainan Glory Investment*	PRC	Paid up capital RMB466,869,243	80%	80%	Property development
Xinzheng Glory Real Estate Development Co.,Ltd. * 新鄭市國瑞房地產開發有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Foshan Glory Xingye Real Estate Co., Ltd* 佛山市國瑞興業地產有限公司	PRC	Paid up capital RMB10,000,000	80%	80%	Property development
Foshan Guohua* (note (c))	PRC	Paid up capital RMB100,000,000	44%	44%	Property development
Langfang Guosheng Real Estate Development Co., Ltd.* 廊坊國盛房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Langfang Glory*	PRC	Paid up capital RMB150,000,000	80%	80%	Property development
Langfang Guoxing * ^	PRC	Paid up capital RMB2,011,667,394	100%	100%	Property development
Shenyang Dadongfang Properties Co., Ltd* 瀋陽大東方置業有限公司	PRC	Paid up capital RMB186,362,194	80%	80%	Property development
Shenyang Glory Industrial Commerce Co., Ltd.* 瀋陽國瑞興業商務有限公司	PRC	Paid up capital RMB1,000,000	80%	80%	Rental business
Shaanxi Huawei Shida Industrial Co., Ltd* 陝西華威世達實業有限公司	PRC	Paid up capital RMB200,000,000	80%	80%	Property development
Hainan Junhe*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development

53. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group At December 31, 2018	2017	Principal activities
Beijing Wenhuashengda*	PRC	Paid up capital RMB50,000,000	**80%**	80%	Property development
Foshan Glory Southern*	PRC	Paid up capital RMB33,330,000	**80%**	80%	Property development and rental business
Shenzhen Wanji*	PRC	Paid up capital RMB130,000,000	**80%**	80%	Rental business
Shenyang Guoyi Business Management Co., Ltd.* 瀋陽國益商業管理有限公司	PRC	Paid up capital RMB20,000,000	**80%**	80%	Rental business
Shenyang Guorui Business Management Co., Ltd.* 瀋陽國瑞商業管理有限公司	PRC	Paid up capital RMB50,000,000	**80%**	80%	Rental business
Shenyang Guosheng Business Management Co., Ltd.* 瀋陽國盛商業管理有限公司	PRC	Paid up capital RMB30,000,000	**80%**	80%	Rental business
Shantou Glory*	PRC	Paid up capital RMB200,000,000	**80%**	80%	Property development
Suzhou Glory*	PRC	Paid up capital RMB50,000,000	**80%**	80%	Property development
Qidong Yujiangwan*	PRC	Paid up capital RMB50,000,000	**72%**	72%	Property development
Yaoji (Nantong) Industrial Co., Ltd.* 姚記（南通）實業有限公司	PRC	Paid up capital RMB102,500,000	**72%**	72%	Property development
Shantou Glory Properties Co., Ltd.*^ 汕頭市國瑞置業有限公司	PRC	Paid up capital RMB920,100,000	**100%**	100%	Property development
Shenzhen Dachaoshan*	PRC	Paid up capital RMB180,093,000	**85%**	75%	Property development
Beijing Deheng*	PRC	Paid up capital RMB50,000,000	**80%**	80%	Property development

53. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group At December 31, 2018	2017	Principal activities
Chaotuan Trade * ^	PRC	Paid up capital —	55%	55%	Property development
Wuxi Glory *	PRC	Paid up capital —	N/A note(45)	80%	Property development
Foshan Guofeng Estate Development Co., Ltd. * 佛山市國豐地產開發有限公司	PRC	Paid up capital RMB10,000,000	80%	80%	Property development
Tongren Glory Real Estate Development Co., Ltd. * 銅仁國瑞房地產開發有限公司	PRC	Paid up capital —	100% (Note(b))	N/A	Property Development
Chongqing Guosha *	PRC	Paid up capital RMB40,820,000	51% (Note(d))	N/A	Property Development
Handan Guoxia *	PRC	Paid up capital RMB153,850,000	35% (Note(d))	N/A	Property Development
Sanya Jingheng *	PRC	Paid up capital RMB815,380,000	35% (Note(d))	N/A	Property Development
Tianjin Tianfu Rongsheng *	PRC	Paid up capital RMB615,380,000	35% (Note(d))	N/A	Property Development
Guangdong Hongtai Guotong *	PRC	Paid up capital RMB153,850,000	35% (Note(d))	N/A	Property Development
Guangdong Guosha *	PRC	Paid up capital RMB20,410,000	68% (Note(d))	N/A	Property Development
Jiangmen Yinghuiwan *	PRC	Paid up capital RMB337,960,000	52% (Note(d))	N/A	Property Development
Shijiazhuang Guosha *	PRC	Paid up capital RMB102,040,000	51% (Note(d))	N/A	Property Development

* The English name of the companies which were established in the PRC are for reference only and have not been registered.

^ These companies are wholly foreign owned enterprises established in the PRC. All other entities established in the PRC are limited liability companies.

53. PRINCIPAL SUBSIDIARIES (continued)

Notes:

(a) Except Garden Group, none of other subsidiaries had issued any debt securities at the end of each reporting period or at any time during the reporting period.

(b) The subsidiary was newly established during the year ended December 31, 2018.

(c) Garden Group held 80% equity interest in New Beijing Glory, which held 55% equity interest in Foshan Guohua. Therefore, the Company indirectly held 44% equity interest in Foshan Guohua.

(d) These subsidiaries were acquired during the year ended December 31, 2018. Details are set out in note 44.

(e) All subsidiaries which set out above operate in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. Majority of these subsidiaries operate in the PRC, Hong Kong and British Virgin Islands ("BVI"). The principal activities of these subsidiaries are summarized as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		December 31, 2018	December 31, 2017
Property development	PRC	**50**	23
Investment holding	Hong Kong	**11**	7
Investment holding	BVI	**3**	3
		64	33

53. PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
At December 31, 2018				
Glory Industrial	PRC	9%	808	164,541
Original Beijing Glory	PRC	20%	127,295	1,422,014
Shenzhen Dachaoshan	PRC	15%	(733)	153,140
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries) (Note)	PRC	20%	96,423	309,064
Non-wholly owned subsidiaries of New Beijing Glory				
– Foshan Guohua	PRC	45%	76,619	74,082
– Qidong Yujiangwan	PRC	10%	(3,440)	183,707
– Individual immaterial subsidiaries with non-controlling interests	PRC		(106)	9,849
Guangdong Hongtai Guotong	PRC	65%	269,007	1,063,964
Shijiazhuang Guosha	PRC	49%	(719)	438,346
Chongqing Guosha	PRC	49%	19,344	119,296
Handan Guoxia	PRC	65%	(3,561)	243,254
Sanya Jingheng	PRC	65%	(8,752)	699,182
Jiangmen Yinghuiwan	PRC	48%	(4,470)	225,648
Tianjin Tianfu Rongsheng	PRC	65%	(9,415)	455,840
Guangdong Guosha	PRC	32%	(285)	40,768
Total			558,015	5,602,695

53. PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests: (continued)

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
At December 31, 2017				
Glory Industrial	PRC	9%	3,123	159,365
Original Beijing Glory	PRC	20%	157,616	1,295,295
Shenzhen Dachaoshan	PRC	25%	(778)	238,683
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries) (Note)	PRC	20%	93,813	347,065
Non-wholly owned subsidiaries of New Beijing Glory				
– Foshan Guohua	PRC	45%	79,665	132,463
– Qidong Yujiangwan	PRC	10%	—	187,147
– Individual immaterial subsidiaries with non-controlling interests	PRC		(121)	9,955
Total			333,318	2,369,973

Note: The summarized financial information disclosed below comprised of the financial information of New Beijing Glory and its wholly-owned subsidiaries.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarized financial information below represents amounts before intragroup eliminations.

53. PRINCIPAL SUBSIDIARIES (continued)

Glory Industrial

	At December 31, 2018 RMB'000	At December 31, 2017 RMB'000
Current assets	**3,943,709**	3,923,170
Non-current assets	**1,252,074**	1,183,943
Current liabilities	**(2,744,593)**	(2,983,141)
Non-current liabilities	**(622,958)**	(353,249)
Equity attributable to owners of the Company	**1,663,691**	1,611,358
Non-controlling interests of Glory Industrial	**164,541**	159,365

	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000
Revenue	**39,492**	34,343
Gain on fair value change of investment properties	**14,900**	38,700
Cost of sales and service and expenses	**(38,219)**	(38,343)
Profit for the year	**16,173**	34,700
Other comprehensive income for the year	**(7,195)**	—
Profit and total comprehensive income for the year	**8,978**	34,700
Profit and total comprehensive income attributable to:		
– the owners of the Company	**8,170**	31,577
– non-controlling interests of Glory Industrial	**808**	3,123
	8,978	34,700
Net cash inflow from operating activities	**268,148**	27,536
Net cash inflow (outflow) from investing activities	**49**	(1,885)
Net cash outflow from financing activities	**(252,655)**	(30,020)
Net cash inflow (outflow) from the above activities	**15,542**	(4,369)

53. PRINCIPAL SUBSIDIARIES (continued)

Original Beijing Glory

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Current assets	**21,557,659**	19,073,403
Non-current assets	**15,006,299**	13,957,624
Current liabilities	**(18,956,952)**	(20,793,292)
Non-current liabilities	**(10,496,937)**	(5,761,260)
Equity attributable to owners of the Company	**5,688,055**	5,181,180
Non-controlling interests of Original Beijing Glory	**1,422,014**	1,295,295

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	**630,178**	262,210
Gain on fair value change of investment properties	**637,637**	768,882
Cost of sales and expenses	**(631,342)**	(486,724)
Profit for the year	**636,473**	544,368
Other comprehensive income for the year	**—**	243,712
Total comprehensive income for the year	**636,473**	788,080
Total comprehensive income attributable to:		
– the owners of the Company	**509,178**	630,464
– non-controlling interests of Original Beijing Glory	**127,295**	157,616
	636,473	788,080
Net cash (outflow) inflow from operating activities	**(1,792,828)**	1,880,089
Net cash inflow (outflow) from investing activities	**58,238**	(779,090)
Net cash inflow (outflow) from financing activities	**1,427,248**	(848,251)
Net cash (outflow) inflow from the above activities	**(307,342)**	252,748

53. PRINCIPAL SUBSIDIARIES (continued)

Shenzhen Dachaoshan

	At December 31,	
	2018 **RMB'000**	2017 RMB'000
Current assets	**74,336**	71,901
Non-current assets	**1,069,638**	1,040,896
Current liabilities	**(291,686)**	(265,290)
Equity attributable to owners of the Company	**699,148**	608,824
Non-controlling interests of Shenzhen Dachaoshan	**153,140**	238,683

	Year ended December 31,	
	2018 **RMB'000**	2017 RMB'000
Revenue	**(2)**	(6)
Cost of sales and expenses	**(3,385)**	(3,107)
Loss and total comprehensive expense for the year	**(3,387)**	(3,113)
Total comprehensive expense attributable to:		
– the owners of the Company	**(2,654)**	(2,335)
– non-controlling interests of Shenzhen Dachaoshan	**(733)**	(778)
	(3,387)	(3,113)
Net cash outflow from operating activities	**(26,019)**	(283,412)
Net cash (outflow) inflow from investing activities	**(8)**	4
Net cash inflow from financing activities	**25,994**	263,926
Net cash outflow from the above activities	**(33)**	(19,482)

53. PRINCIPAL SUBSIDIARIES (continued)

New Beijing Glory and subsidiaries

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Current assets	**36,565,497**	33,327,759
Non-current assets	**3,653,515**	2,858,521
Current liabilities	**(34,844,226)**	(28,309,617)
Non-current liabilities	**(3,561,828)**	(5,811,773)
Equity attributable to owners of the Company	**1,236,256**	1,388,260
Non-controlling interests of New Beijing Glory	**309,064**	347,065
Non-controlling interests of New Beijing Glory's subsidiaries	**267,638**	329,565

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	**3,442,777**	3,447,468
Gain on fair value change of investment properties	**207,072**	112,060
Cost of sales and expense	**(3,094,662)**	(3,010,919)
Profit and total comprehensive income for the year	**555,187**	548,609
Profit and total comprehensive income attributable to:		
– the owners of the Company	**385,691**	375,252
– non-controlling interests of New Beijing Glory	**96,423**	93,813
– non-controlling interests of New Beijing Glory's subsidiaries	**73,073**	79,544
	555,187	548,609
Dividend paid to non-controlling interests of New Beijing Glory	**(135,000)**	(191,000)
Net cash inflow (outflow) from operating activities	**8,739,925**	(5,079,552)
Net cash inflow (outflow) from investing activities	**183,840**	(891,026)
Net cash (outflow) inflow from financing activities	**(9,403,740)**	6,174,656
Net cash (outflow) inflow from the above activities	**(479,975)**	204,078

53. PRINCIPAL SUBSIDIARIES (continued)

Foshan Guohua (non-wholly owned subsidiary of New Beijing Glory)

	At December 31,	
	2018 **RMB'000**	2017 RMB'000
Current assets	**4,538,630**	4,634,061
Non-current assets	**25,861**	9,569
Current liabilities	**(3,149,864)**	(2,699,268)
Non-current liabilities	**(1,250,000)**	(1,650,000)
Equity attributable to owners of New Beijing Glory	**90,545**	161,899
Non-controlling interests of Foshan Guohua	**74,082**	132,463

	Year ended December 31,	
	2018 **RMB'000**	2017 RMB'000
Revenue	**592,691**	773,956
Cost of sales and service and expenses	**(422,426)**	(596,923)
Profit and total comprehensive income for the year	**170,265**	177,033
Profit and total comprehensive income attributable to:		
– the owners of New Beijing Glory	**93,646**	97,368
– non-controlling interests of Foshan Guohua	**76,619**	79,665
	170,265	177,033
Dividend paid to non-controlling interests of Foshan Guohua	**(135,000)**	(45,000)
Net cash inflow from operating activities	**110,731**	106,263
Net cash inflow from investing activities	**375**	606
Net cash outflow from financing activities	**(171,731)**	(157,255)
Net cash outflow from the above activities	**(60,625)**	(50,386)

53. PRINCIPAL SUBSIDIARIES (continued)

Qidong Yujiangwan (non-wholly owned subsidiary of New Beijing Glory)

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Current assets	**4,457,771**	2,109,172
Non-current assets	**47,820**	10,132
Current liabilities	**(2,922,118)**	(1,088,950)
Non-current liabilities	**(606,500)**	—
Equity attributable to owners of New Beijing Glory	**793,266**	843,207
Non-controlling interests of Qidong Yujiangwan	**183,707**	187,147

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of sales and service and expenses	**(34,401)**	—
Loss and total comprehensive expense for the year	**(34,401)**	—
Loss and total comprehensive expense attributable to:		
– the owners of the Company	**(30,961)**	—
– non-controlling interests of Qidong Yujiangwan	**(3,440)**	—
	(34,401)	—
Net cash inflow from operating activities	**1,834,947**	—
Net cash outflow from investing activities	**(16)**	—
Net cash outflow from financing activities	**(1,853,883)**	—
Net cash outflow from the above activities	**(18,952)**	—

53. PRINCIPAL SUBSIDIARIES (continued)

Guangdong Hongtai Guotong

	At December 31, 2018 RMB'000
Current assets	4,171,010
Non-current assets	25,285
Current liabilities	(1,864,218)
Non-current liabilities	(695,209)
Equity attributable to owners of the Company	572,904
Non-controlling interests of Guangdong Hongtai Guotong	1,063,964

	Period from acquisition date to December 31, 2018 RMB'000
Revenue	1,593,627
Cost of sales and service and expenses	(1,179,770)
Profit and total comprehensive income for the period	413,857
Profit and total comprehensive income attributable to:	
– the owners of the Company	144,850
– non-controlling interests of Guangdong Hongtai Guotong	269,007
Net cash outflow from operating activities	(1,245,547)
Net cash inflow from investing activities	336
Net cash inflow from financing activities	1,251,249
Net cash inflow from the above activities	6,038

53. PRINCIPAL SUBSIDIARIES (continued)

Shijiazhuang Guosha

	At December 31, 2018 RMB'000
Current assets	2,302,377
Non-current assets	334,531
Current liabilities	(1,584,624)
Non-current liabilities	(157,701)
Equity attributable to owners of the Company	456,237
Non-controlling interests of Shijiazhuang Guosha	438,346

	Period from acquisition date to December 31, 2018 RMB'000
Cost of sales and service and expenses	(1,468)
Loss and total comprehensive expense for the period	(1,468)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(749)
– non-controlling interests of Shijiazhuang Guosha	(719)
Net cash outflow from operating activities	(366,282)
Net cash inflow from investing activities	28
Net cash inflow from financing activities	343,409
Net cash outflow from the above activities	(22,845)

53. PRINCIPAL SUBSIDIARIES (continued)

Chongqing Guosha

	At December 31, 2018 RMB'000
Current assets	1,407,876
Non-current assets	149,108
Current liabilities	(1,262,525)
Non-current liabilities	(50,997)
Equity attributable to owners of the Company	124,166
Non-controlling interests of Chongqing Guosha	119,296

	Period from acquisition date to December 31, 2018 RMB'000
Revenue	457,477
Cost of sales and service and expenses	(417,999)
Profit and total comprehensive income for the period	39,478
Profit and total comprehensive income attributable to:	
– the owners of the Company	20,134
– non-controlling interests of Chongqing Guosha	19,344
Net cash outflow from operating activities	(516,725)
Net cash inflow from investing activities	229
Net cash inflow from financing activities	576,573
Net cash inflow from the above activities	60,077

53. PRINCIPAL SUBSIDIARIES (continued)

Handan Guoxia

	At December 31, 2018 RMB'000
Current assets	1,794,424
Non-current assets	263,390
Current liabilities	(1,608,917)
Non-current liabilities	(74,660)
Equity attributable to owners of the Company	130,983
Non-controlling interests of Handan Guoxia	243,254

	Period from acquisition date to December 31, 2018 RMB'000
Gain on fair value change of investment properties	11,182
Cost of sales and service and expenses	(16,661)
Loss and total comprehensive expense for the period	(5,479)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(1,918)
– non-controlling interests of Handan Guoxia	(3,561)
Net cash outflow from operating activities	(1,398,996)
Net cash inflow from investing activities	1,392
Net cash inflow from financing activities	1,254,333
Net cash outflow from the above activities	(143,271)

53. PRINCIPAL SUBSIDIARIES (continued)

Sanya Jingheng

	At December 31, 2018 RMB'000
Current assets	1,582,512
Non-current assets	19,604
Current liabilities	(380,103)
Non-current liabilities	(146,348)
Equity attributable to owners of the Company	376,483
Non-controlling interests of Sanya Jingheng	699,182

	Period from acquisition date to December 31, 2018 RMB'000
Cost of sales and service and expenses	(13,465)
Loss and total comprehensive expense for the period	(13,465)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(4,713)
– non-controlling interests of Sanya Jingheng	(8,752)
Net cash outflow from operating activities	(516,967)
Net cash inflow from investing activities	79
Net cash inflow from financing activities	565,080
Net cash inflow from the above activities	48,192

53. PRINCIPAL SUBSIDIARIES (continued)

Jiangmen Yinghuiwan

	At December 31, 2018 RMB'000
Current assets	863,058
Non-current assets	3,293
Current liabilities	(182,453)
Non-current liabilities	(213,798)
Equity attributable to owners of the Company	244,452
Non-controlling interests of Jiangmen Yinghuiwan	225,648

	Period from acquisition date to December 31, 2018 RMB'000
Cost of sales and service and expenses	(9,313)
Loss and total comprehensive expense for the period	(9,313)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(4,843)
– non-controlling interests of Jiangmen Yinghuiwan	(4,470)
Net cash outflow from operating activities	(324,873)
Net cash outflow from investing activities	(766)
Net cash inflow from financing activities	362,810
Net cash inflow from the above activities	37,171

53. PRINCIPAL SUBSIDIARIES (continued)

Tianjin Tianfu Rongsheng

	At December 31, 2018 RMB'000
Current assets	2,250,653
Non-current assets	88,689
Current liabilities	(1,525,260)
Non-current liabilities	(112,789)
Equity attributable to owners of the Company	245,453
Non-controlling interests of Tianjin Tianfu Rongsheng	455,840

	Period from acquisition date to December 31, 2018 RMB'000
Cost of sales and service and expenses	(14,485)
Loss and total comprehensive expense for the period	(14,485)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(5,070)
– non-controlling interests of Tianjin Tianfu Rongsheng	(9,415)
Net cash outflow from operating activities	(546,908)
Net cash inflow from investing activities	197
Net cash inflow from financing activities	687,293
Net cash inflow from the above activities	140,582

53. PRINCIPAL SUBSIDIARIES (continued)

Guangdong Guosha

	At December 31, 2018 RMB'000
Current assets	347,419
Non-current assets	355
Current liabilities	(176,228)
Non-current liabilities	(44,147)
Equity attributable to owners of the Company	86,631
Non-controlling interests of Guangdong Guosha	40,768

	Period from acquisition date to December 31, 2018 RMB'000
Cost of sales and service and expenses	(892)
Loss and total comprehensive expense for the period	(892)
Loss and total comprehensive expense attributable to:	
– the owners of the Company	(607)
– non-controlling interests of Guangdong Guosha	(285)
Net cash inflow from operating activities	135,008
Net cash inflow from investing activities	23
Net cash outflow from financing activities	(134,356)
Net cash inflow from the above activities	675

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000 (note 38)	Corporate bonds RMB'000 (note 39)	Senior notes RMB'000 (note 40)	Amounts due to related parties RMB'000 (note 52)	Others RMB'000 (Note)	Total RMB'000
At January 1, 2017	15,907,867	3,980,214	—	222,082	45,636	20,155,799
Financing activities	8,319,197	—	2,041,048	(112,023)	(1,876,266)	8,371,956
Acquisitions of associates	—	—	—	275,260	—	275,260
Interest expenses	—	9,437	14,595	—	1,691,994	1,716,026
Exchange difference	—	—	(114,695)	(44,354)	—	(159,049)
Dividend declared to owners of the Company	—	—	—	540,000	—	540,000
Dividend declared to the non-controlling interests	—	—	—	—	236,000	236,000
At December 31, 2017	24,227,064	3,989,651	1,940,948	880,965	97,364	31,135,992
Financing activities	(1,896,980)	(2,945,330)	2,185,701	1,126,285	(2,279,065)	(3,809,389)
Acquisitions of subsidiaries	968,900	—	—	1,861,140	—	2,830,040
Acquisition of an associate	—	—	—	(7,000)	—	(7,000)
Acquisition of partial interest in a subsidiary	—	—	—	—	12,000	12,000
Interest expenses	—	9,114	37,583	—	2,212,852	2,259,549
Exchange difference	—	—	281,551	52,140	—	333,691
Dividend declared to owners of the Company	—	—	—	204,189	95,811	300,000
Dividend declared to the non-controlling interests	—	—	—	135,000	135,000	270,000
At December 31, 2018	23,298,984	1,053,435	4,445,783	4,252,719	273,962	33,324,883

Note: Others mainly include interest payables and dividend payable.

55. EVENT AFTER THE REPORTING PERIOD

On February 28, 2019, the Company has completed the issuance of senior loan notes (the "Original Notes") at par value in an aggregate principal amount of US$160,000,000. The Original Notes bear interest at 13.5% per annum payable semi-annually in arrears on February 27 and August 27 of each year. The Notes will mature on 2022.

On March 1, 2019, the Company completed the full redemption of the 2018 First Tranche Senior Notes with cash. The aggregate redemption price is equivalent to the principal amount of the 2018 First Tranche Senior Notes plus accrued interest to the maturity date.

On March 18, 2019, the Company has completed the issuance of senior loan notes (the "Additional Notes") at par value in an aggregate principal amount of US$295,000,000 to be consolidated and form a single series with the Original Notes. The Additional Notes bear interest at 13.5% per annum payable semi-annually in arrears on February 27 and August 27 of each year. The Notes will mature on 2022.

On March 21, 2019, the Company completed the full redemption of the 2017 Senior Notes of which those holders exercised their redemption options with cash.

56. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2018	2017
	RMB'000	RMB'000
Non-current Assets		
Unlisted investments in subsidiaries	**792,859**	454,218
Amounts due from subsidiaries	**6,069,686**	3,106,831
	6,862,545	3,561,049
Current Assets		
Trade and other receivables, deposits and prepayments	**612**	583
Bank balances and cash	**1,147**	17,550
	1,759	18,133
Current Liabilities		
Trade and other payables	**100,544**	37,823
Senior notes	**3,768,364**	—
Bank and trust borrowings - due within one year	**—**	209,986
Amounts due to subsidiaries	**216,723**	192,022
Amount due to a related party	**1,225,142**	605,521
	5,310,773	1,045,352
Net Current Liabilities	**(5,309,014)**	(1,027,219)
Total Assets less Current Liabilities	**1,553,531**	2,533,830
Non-current Liability		
Senior notes	**677,419**	1,940,948
	677,419	1,940,948
Net Assets	**876,112**	592,882
Capital and Reserves		
Share capital	**3,520**	3,519
Reserves	**872,592**	589,363
Total Equity	**876,112**	592,882

56. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000	Capital reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Treasury shares reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2017	833,681	56,242	57,785	(18,748)	12,198	941,158
Profit and total comprehensive income for the year	—	—	—	—	175,239	175,239
Dividend declared to the owners of the Company	(540,000)	—	—	—	—	(540,000)
Recognition of equity-settled share-based payments	—	—	5,206	—	—	5,206
Exercise of share options	12,334	—	(4,574)	—	—	7,760
Shares vested under share award scheme	—	—	(18,748)	18,748	—	—
At December 31, 2017	306,015	56,242	39,669	—	187,437	589,363
Profit and total comprehensive income for the year	—	—	—	—	581,988	581,988
Dividend declared to owners of the Company	(300,000)	—	—	—	—	(300,000)
Exercise of share options	2,012	—	(771)	—	—	1,241
At December 31, 2018	8,027	56,242	38,898	—	769,425	872,592

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended December 31, (RMB million)				
	2018	2017	2016	2015	2014
Revenue	**6,612**	6,787	8,035	6,514	5,279
Gross profit	**2,599**	3,169	3,118	2,679	2,405
Profit before tax	**2,697**	3,567	3,230	2,700	2,059
Profit for the year attributable to	**1,569**	2,040	1,956	1,583	1,206
– attributable to owners of the Company	**1,009**	1,750	1,563	1,261	951
– attributable to non-controlling interests	**560**	290	393	322	255
Earnings per share attributable to ordinary equity holders of the Company, in Renminbi cents:					
– Basic	**22.70**	39.46	35.38	28.62	23.42
– Diluted	**22.60**	39.20	35.04	28.28	23.34

	At December 31, (RMB million)				
	2018	2017	2016	2015	2014
Total assets	**75,680**	58,544	44,718	35,227	29,013
– Non-current assets	**25,817**	22,990	18,545	15,669	13,273
– Current assets	**49,863**	35,554	26,173	19,558	15,740
Total Liabilities	**57,849**	44,952	32,907	25,299	20,478
– Non-current liabilities	**18,940**	18,054	19,200	13,525	8,383
– Current liabilities	**38,910**	26,898	13,707	11,774	12,094
Total equity	**17,831**	13,592	11,811	9,928	8,536
– equity attributable to equity owners of the Company	**11,903**	10,902	9,484	8,119	7,016
– equity attributable to non-controlling interests	**5,928**	2,690	2,327	1,809	1,520

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GUORUI PROPERTIES LIMITED

國瑞置業有限公司