2018
年報
Annual Report

绿城中国
GREENTOWN

GREENTOWN CHINA HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Stock Code: 03900

Welcome to your home of

Greentown.

Walk into a world of luxury and style. Transform your dreams into reality here.

From the minute you set foot on the majestic doorway that leads into the elegant hallway, you will be embraced by the luxury and grace of a bygone era.

Traditional style combined with contemporary detailing gives the place a personal touch with a flair of splendour. Each unit is tastefully designed for home lovers who have an eye for quality and beauty. Nestled in breath-taking landscaped gardens, these homes allow you to experience the magical powers of nature in your own private setting. Join the Greentown family and live the dream of many others today. Find your home with Greentown and enjoy the luxury of life with peace of mind.

Contents

Corporate Profile

GREENTOWN CHINA HOLDINGS LIMITED IS A QUALITY PROPERTY DEVELOPER AND INTEGRATED LIVING SERVICE PROVIDER IN CHINA. IT MAINTAINS A LEADING POSITION IN THE INDUSTRY BY VIRTUE OF THE QUALITY OF ITS PROPERTIES, ITS UNIQUE ARCHITECTURAL AESTHETICS AND CUSTOMER CENTRIC SERVICES, AND IS COMMITTED TO BEING THE "NO. 1 INTEGRATED SERVICE PROVIDER FOR AN IDEAL LIFE IN CHINA". THE COMPANY WAS AWARDED THE "TOP 10 AMONG 100 CHINESE REAL ESTATE ENTERPRISES BY COMPREHENSIVE STRENGTH" FOR THE 14TH CONSECUTIVE YEAR BY THE DEVELOPMENT RESEARCH CENTER OF THE STATE COUNCIL, THE INSTITUTE OF REAL ESTATE STUDIES AT TSINGHUA UNIVERSITY AND THE CHINA INDEX ACADEMY, AND WAS AGAIN NAMED THE "TOP 10 CHINESE REAL ESTATE COMPANIES BY BRAND VALUE (MIXED OWNERSHIP)" FOR THE 15TH CONSECUTIVE YEAR WITH A BRAND VALUE OF RMB39.852 BILLION. MEANWHILE, GREENTOWN WAS AWARDED THE "CHINESE LEADING REAL ESTATE COMPANIES BY CUSTOMER SATISFACTION" FOR THE 7TH CONSECUTIVE YEAR FOR ITS QUALITY PRODUCTS AND SERVICES.

Greentown China Holdings Limited maintains a leading position in the industry with high construction quality and excellent living services. Over 24 years of development, the Company has over 300 member companies and its scope of business covers more than 20 provinces, autonomous regions and direct-controlled municipalities. It established a presence in over 100 cities, having constructed more than 600 exquisite property complexes.

On 8 June 2012, Wharf was introduced as a strategic shareholder of Greentown. The aggregate investment from Wharf amounted to approximately HK$5.1 billion (equivalent to approximately RMB4.16 billion), including the subscription of approximately 490 million placing shares and the subscription of convertible securities (which have been redeemed in full in February 2014). As at the date of this report, Wharf (through its wholly-owned subsidiary) held approximately 24.9% of the total issued share capital of the Company.

On 27 March 2015, CCCG completed the sale and purchase transaction of shares with Mr SONG Weiping and other related shareholders, pursuant to which CCCG acquired 524,851,793 shares of the Company at HK$11.46 per share in cash with a total consideration of approximately HK$6.015 billion. On 4 June 2015, CCCG acquired another 100 million shares of the Company at HK$11.46 per share. Accordingly, as at the date of this report, CCCG held approximately 28.8% of the total issued share capital of the Company, making it the single largest shareholder of Greentown.

Being a professional developer of premium property in the PRC, Greentown Group has always insisted on innovation and continued to explore the relationship between human and dwellings with excellent accomplishment in the low-rise, multi-storey and high-rise residential properties. Based on the construction of beautiful architecture, Greentown Group is committed to building a better life for more people. Its layout will focus on the first- and second-tier cities as well as quality third- and fourth-tier cities, emphasising on the creation of unique projects like featured towns, sports projects and TOD projects. As at 31 December 2018, the premium land bank of Greentown

Group comprised a total GFA of over 32.47 million sqm, safeguarding the sustainable and steady development of the Company in the future. With its quality human resources and highly effective management structure, Greentown has established an outstanding brand image in all cities where it operates. Greentown's experience in developing numerous high-quality projects and outstanding operational capabilities accumulated so far has provided strong momentum for its further expansion.

Since September 2010, Greentown Group has commenced the project management business. In September 2015, the Company acquired Greentown Dingyi Real Estate Investment Management Company Limited and Greentown Shidai City Construction & Development Company Limited, and established Greentown Project Management Group. In June 2016, the Company undertook a restructuring of Bluetown Property Construction Management Group Co., Ltd. ("Bluetown"), involving, among other matters, the integration of the project management business of Bluetown with the Greentown Project Management Group. As a result, the new Greentown Project Management Group has further expanded its scale. The Company has already undertaken an orderly integration of businesses, management teams and governing systems and led the industry with a complete and standardised system of "Project Management 4.0", bringing in an increasingly sophisticated asset-light operation model and fast-growing business. As of 31 December 2018, the total number of projects managed by Greentown Project Management Group has reached 282, with a planned total GFA of approximately 63.36 million sqm. To date, the Greentown Project Management Group has evolved into the largest and most professional asset-light real estate operation group in China.

With the full support of CCCG, a state-owned enterprise, and Wharf, a Hong Kong blue-chip enterprise, together with our founder Mr. SONG Weiping, a renowned entrepreneur in China's real estate industry, and other substantial shareholders, Greentown will adhere to the innovation and practice of mixed ownership enterprise and implement the development layout of "balancing the development of light assets and heavy assets, developing light assets on the foundation of heavy assets", so as to build the brand of "No. 1 integrated service provider for an ideal life in China",

Hangzhou Helu

Corporate Information

Board of Directors

Executive Directors

Mr SONG Weiping (Co-Chairman)
Mr LIU Wensheng (Co-Chairman)
Mr SUN Guoqiang (Resigned on 1 August 2018)
Mr SHOU Bainian (Resigned on 6 April 2018)
Mr CAO Zhounan (Resigned on 1 August 2018)
Mr ZHANG Yadong (Appointed on 1 August 2018)
Mr LI Qingan
Mr LI Yongqian
Mr LI Jun (Appointed on 6 April 2018)

Independent Non-Executive Directors

Mr JIA Shenghua
Mr KE Huanzhang
Mr SZE Tsai Ping, Michael
Mr HUI Wan Fai

Audit Committee

Mr SZE Tsai Ping, Michael (Chairman)
Mr JIA Shenghua
Mr HUI Wan Fai

Nomination Committee

Mr SZE Tsai Ping, Michael (Chairman)
Mr LIU Wensheng
Mr SHOU Bainian (Resigned on 6 April 2018)
Mr CAO Zhounan (Appointed on 6 April 2018, resigned on 1 August 2018)
Mr ZHANG Yadong (Appointed on 1 August 2018)
Mr JIA Shenghua
Mr KE Huanzhang
Mr HUI Wan Fai

Remuneration Committee

Mr JIA Shenghua (Chairman)
Mr LIU Wensheng (Appointed on 6 April 2018)
Mr SUN Guoqiang (Resigned on 1 August 2018)
Mr SHOU Bainian (Resigned on 6 April 2018)
Mr ZHANG Yadong (Appointed on 1 August 2018)
Mr KE Huanzhang
Mr SZE Tsai Ping, Michael
Mr HUI Wan Fai

Registered Office

Maples Corporate Services Limited
PO Box 309, Ugland House
South Church Street, George Town
Grand Cayman KY1-1104
Cayman Islands

Share Registrar in Hong Kong

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

Share Registrar in Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

As to Hong Kong law:
Allen & Overy

As to the PRC law:
Zhejiang T&C Law Firm

As to Cayman Islands law and British Virgin Islands law:
Maples and Calder

Company Secretary

Mr FUNG Ching, Simon

Authorized Representatives

Mr ZHANG Yadong
Mr FUNG Ching, Simon

Principal Bankers

Bank of China Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Ltd.
China Construction Bank Corp.
The Hong Kong And Shanghai Banking Corp., Ltd.
Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
Ping An Bank Co., Ltd.
China Everbright Bank Corp., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

Hangzhou Headquarters

10/F, Block A, Dragon Century Plaza
No.1 Hangda Road
Hangzhou, Zhejiang
PRC
(Postal code: 310007)

Principal Place of Business in Hong Kong

Room 1406–1408, 14/F, New World Tower 1
16-18 Queen's Road Central
Central, Hong Kong

Investor Relations

Email: ir@chinagreentown.com
Tel: (852) 2523 3138
Fax: (852) 2523 6608

Public Relations

Hill + Knowlton Strategies Asia
Email: greentown@hkstrategies.com
Tel: (852) 2894 6321
Fax: (852) 2576 1990

Stock Code

HKEx: 03900

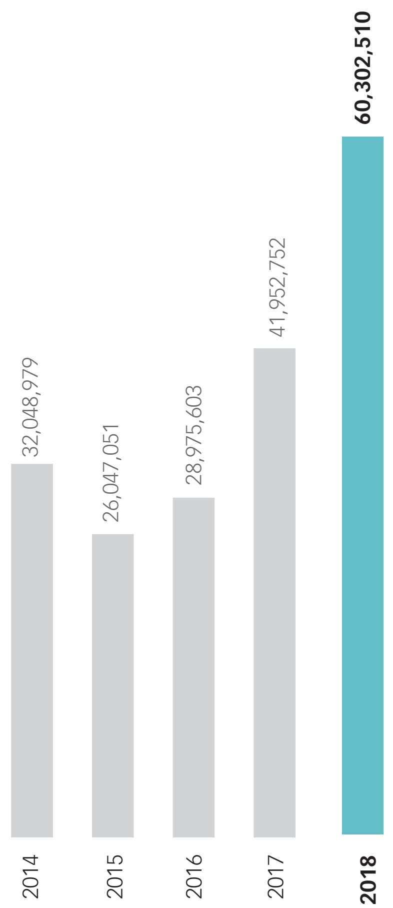
Websites

www.chinagreentown.com
www.greentownchina.com

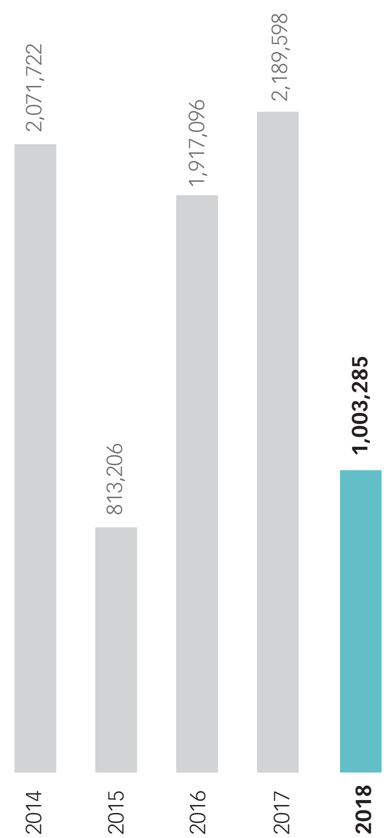

Hangzhou Yunqi Peach Garden

Financial Highlights

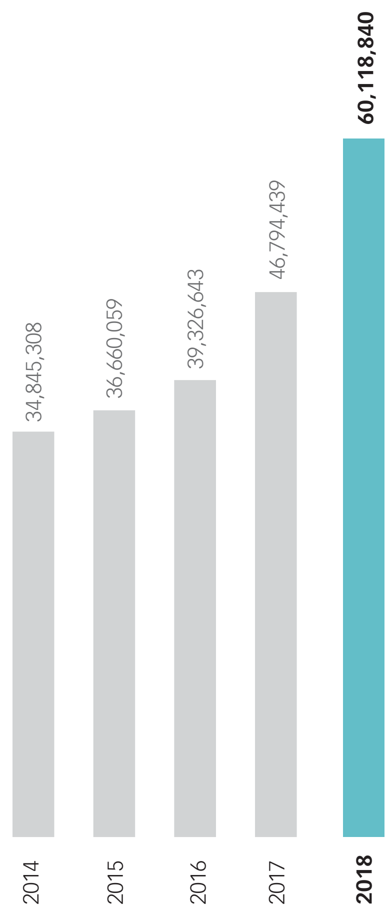
Revenue
For the year ended 31 December
(RMB'000)



Profit attributable to Owners of the Company
For the year ended 31 December
(RMB'000)



Total equity
As at 31 December
(RMB'000)



Five Years Financial Summary

Consolidated Results

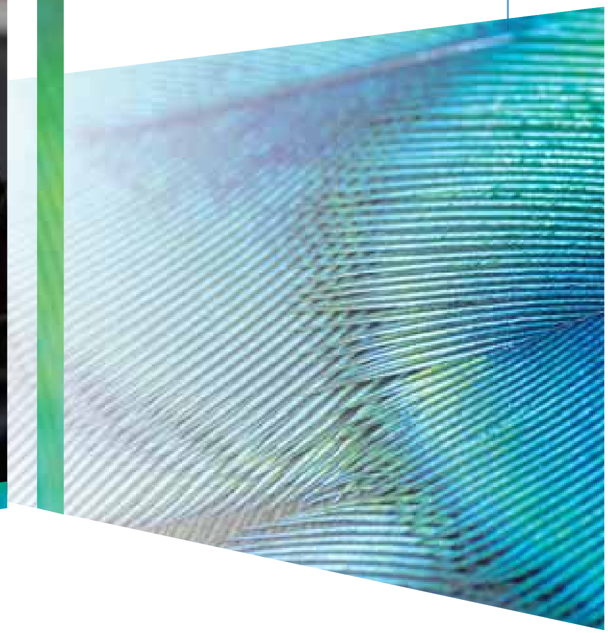
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	32,048,979	26,047,051	28,975,603	41,952,752	**60,302,510**
Cost of sales	(23,916,319)	(20,626,106)	(22,953,628)	(33,877,152)	**(46,550,157)**
Gross profit	8,132,660	5,420,945	6,021,975	8,075,600	**13,752,353**
Other income	1,209,064	1,185,999	1,824,526	4,874,973	**3,187,791**
Expenses	(3,821,011)	(5,340,155)	(5,523,319)	(7,109,461)	**(9,536,269)**
Share of results of jointly controlled entities and associates	407,752	1,667,882	1,425,047	549,656	**500,097**
Profit before taxation	5,928,465	2,934,671	3,748,229	6,390,768	**7,903,972**
Taxation	(2,718,644)	(1,675,175)	(1,525,686)	(3,719,803)	**(5,528,742)**
Profit for the year	3,209,821	1,259,496	2,222,543	2,670,965	**2,375,230**
Profit attributable to:					
Owners of the Company	2,071,722	813,206	1,917,096	2,189,598	**1,003,285**
Non-controlling interests	1,138,099	446,290	305,447	481,367	**1,371,945**
	3,209,821	1,259,496	2,222,543	2,670,965	**2,375,230**

Consolidated Assets and Liabilities

	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	127,143,878	144,512,604	169,795,629	235,828,246	**279,762,744**
Total liabilities	92,298,570	107,852,545	130,468,986	189,033,807	**219,643,904**
Total equity	34,845,308	36,660,059	39,326,643	46,794,439	**60,118,840**

Chairman's Statement

Co-Chairman of the Board
Mr SONG Weiping



In 2018, facing the profound and complicated industrial trend and arduous development tasks, the Company has always been holding on to its core values of "Sincerity, Kindness, Exquisiteness, and Perfection". We have been adhering to the development strategies of putting quality as priority while taking into account other aspects, balancing the development of heavy and light assets and developing light assets on the foundation of heavy assets. We have effectively implemented various business tasks, continued to enhance brand influence and achieved record high performance. We would like to express sincere gratitude for the strong support from major shareholders, the dedication of management and all staff, as well as the full trust from home-owners.

Since CCCG became a shareholder of Greentown in 2015, the Company has developed into a typical mixed-ownership enterprise. During these four years, with the full support from major shareholders, CCCG, a state-owned enterprise and the Wharf Group, a blue-chip enterprise in Hong Kong, the company has been continuously optimising management and control structure and achieved increasingly improving operating performance. In 2018, a year in which the market saw difficult financing environment, strict control on property prices and soaring land prices, we are delighted to witness a reasonable debt structure, overall healthy capital condition as well as significant enhancement in management efficiency and operation capability of Greentown.

Furthermore, we are clearly aware that an enterprise needs to enlarge its scale for further development but must not just aimlessly pursue it. Instead, in face of the ever-changing market, it has to continuously improve risk control and operation capabilities so as to safeguard the security in finance and operations, enhancing its strengths for solid and healthy operation.

For more than 20 years, Greentown has been closely following people's pursuit for a better life, with making effective exploration in respect of the construction of quality housing products and provision of high level services, and has achieved great progress. Greentown strives to building improved housing for the middle-class and deluxe housing for the upper-class, continuously enhancing its strength in urban housing construction. And persistent efforts in town construction have been made to drive urban development, which makes certain contribution to rural revitalization.

Besides, it has focused on the exploration of the featured real estate business, reinforcing the research on featured sectors such as TOD and the sports series, so as to expand its development portfolio. Greentown is committed to its mission of "constructing beautiful cities and creating wonderful lives", and targeted to penetrate into cities, towns and villages, with a view to increasing the market share of the Company to achieve long term development.

While maintaining the sound growth of traditional development business, the Company also proactively deploys light asset business, including project management, living services and architecture technology businesses, integrates the upstream and downstream industry chains and regards innovative businesses and comprehensive industries as the Company's new profit growth points, to lay a solid foundation for the realization of No.1 brand of "Integrated Service Provider for an Ideal Life".

In 2018, Greentown Group won the honor of "Leading Real Estate Companies in China by Customer Satisfaction" for the seventh consecutive year in China. With its leading reputation and owners' satisfaction in China, Greentown's brand value has been constantly uplifting. This is what we value most, and also the most important driving force for the Company's sustainable development.

Looking forward, with the support of major shareholders, and under the leadership of the management, the Company will always insist on building a quality Greentown, to lead the industry with premium properties and services, as well as to provide a peaceful and blessed living environment for home owners and employees. We wish that everyone's value will be improved and materialised, and also hope that Greentown will grow steadily and healthily.

Co-Chairman of the Board
SONG Weiping LIU Wensheng

21 March 2019

Co-Chairman of the Board
Mr LIU Wensheng

CEO's Report

Executive Director and Chief Executive Officer
Mr Zhang Yadong

For Greentown China, 2018 is the year of exploration and innovation. With understanding, trust, care and support from our major shareholders, all Greentown staff bore in mind the core values of "Sincerity, Kindness, Exquisiteness and Perfection" when completing various tasks and laid a solid foundation for high-quality and sustainable development. The overall operation has maintained steady growth in the way that development missions were clear, the reform of system and mechanism was effective, financial resources were abundant in general, the performance in both light assets and heavy assets has demonstrated healthy growth and the building of quality and brand has been deeply reinforced.

However the environment changes, we shall not follow blindly. Over two decades of development, Greentown has always been contemplating: how should we position ourselves in an ever-changing and complicating environment? And how could we become a better company?

Greentown is a leader with specialised products, but this is far from enough. Greentown firmly believes that it is capable of rising to the top with all-rounded development and its own special edges.

Greentown's strategies fully reflect its core values. No matter in the past, at present or in the future, it has continued and will continue to adhere to the core values of "Sincerity, Kindness, Exquisiteness and Perfection". In 2018, in order to carry out the idea in our core values, Greentown introduced the "six elements" in our construction: creating image internally and externally, pursuing quality in every procedure, accomplishing excellence in all status of our work, building our brand through achievements, emphasising integrity among our teams and demonstrating our character through our values. As we expressively defined "quality first while taking into account others" as our development strategy and insisting on "holding ground in quality and expanding market with brand reputation", we are committed to becoming an integrated service provider for an ideal life.

Greentown's tactics are driven by its efficient operations. To further optimise the organisational structure of the Company, Greentown has proposed the "double eleven" structure to align with the implementation of the three-year plan, reducing number of subsidiaries from 16 to 11, forming the "8+3" structure in heavy asset and light asset segment, and establishing 7 centers and 4 business divisions at the group level, in a bid to fully promote the development of featured business. By establishing a Greater operation system, our operation efficiency has been continuously enhanced, target control has been improved in an orderly manner, management of meetings has been optimised, division of power and duty has become more reasonable, and the approval process has continued to accelerate. All of these aim to achieve comprehensive, dynamic coordination and management of all work processes of the Company. A win-win mechanism which covers short-, medium- and long-term incentives has been launched, which ensures quality growth in our traditional real estate development business and our integrated business by bringing the interests of Shareholders, the Company and employees closer.

Greentown's mission is to constantly reform and innovate. The Company has strengthened the management of "seven aspects", which improved management structure on a systemic basis, by facilitating the construction of management system that is consisted of and interconnected by seven major aspects, namely "human resource", "product", "service", "investment", "operation", "finance" and "industry". Through interlinking and synergising each other, the Group has composed a harmonised system that extends to every aspect horizontally and vertically. Growth was fostered through investment, the pace of which was optimised and more efforts were devoted to expanding featured projects such as ideal towns, TOD, public landmarks and resettlement housing. A system for sales and marketing was established by breaking barriers in marketing such that sales team is able to sell products nationwide. Foundation was solidified as we lent every bit of effort in promoting "standardised, industrialised, digitalised and eco-friendly" construction, which effectively shortened the construction cycle and improved development efficiency.

The future is around the corner. We deeply believe that, for so long as the cornerstone position of the real estate sector, the demand for property arising from the urbanisation process as well as people's pursuit for a better life remain unchanged, the real estate industry would possess huge value and potential. Only when we have a clear vision for the future, can we work out the best at the moment. Greentown will continue its dedication of sincerity, meticulousness of strategies and excellence of operation to construct beautiful architecture and create beautiful life.

Executive Director and
Chief Executive Officer
ZHANG Yadong

21 March 2019

Property Portfolio

Yiwu Peach Garden

Property Portfolio

Greentown in *China*

Total GFA Exceeds 32.47 Million sqm

Region	No. of Projects	Percentage of GFA (%)
Hangzhou	20	12.2%
Zhejiang (excluding Hangzhou)	31	27.3%
The Yangtze River Delta Area (excluding Zhejiang)	12	6.9%
The Bohai Rim Area	25	24.0%
The Pearl River Delta Area	4	2.7%
Chengdu-Chongqing Area	5	4.0%
Other Areas in China	13	20.5%
Overseas	2	2.4%
Total	**112**	**100%**

Overseas

The Yangtze River Delta Area

Region	Total GFA (sqm)	Proportion to total land bank (%)
Zhejiang (excluding Hangzhou)	8,851,200	27.3%
Hangzhou	3,949,718	12.2%
Jiangsu	1,712,504	5.3%
Shanghai	511,456	1.6%

The Bohai Rim Area

Region	Total GFA (sqm)	Proportion to total land bank (%)
Shandong	4,055,166	12.5%
Beijing	1,361,452	4.2%
Tianjin	1,283,949	4.0%
Hebei	888,122	2.7%
Liaoning	208,311	0.6%

The Pearl River Delta Area

Region	Total GFA (sqm)	Proportion to total land bank (%)
Guangdong	885,646	2.7%

Chengdu-Chongqing Area

Region	Total GFA (sqm)	Proportion to total land bank (%)
Chongqing	726,586	2.2%
Sichuan	565,208	1.7%

Overseas

Region	Total GFA (sqm)	Proportion to total land bank (%)
Overseas	797,575	2.4%

Other Areas in China

Region	Total GFA (sqm)	Proportion to total land bank (%)
Shaanxi	2,694,682	8.3%
Hainan	1,115,798	3.4%
Hubei	668,294	2.1%
Henan	454,240	1.4%
Heilongjiang	452,391	1.4%
Fujian	440,011	1.4%
Anhui	426,925	1.3%
Hunan	230,856	0.7%
Xinjiang	192,900	0.6%

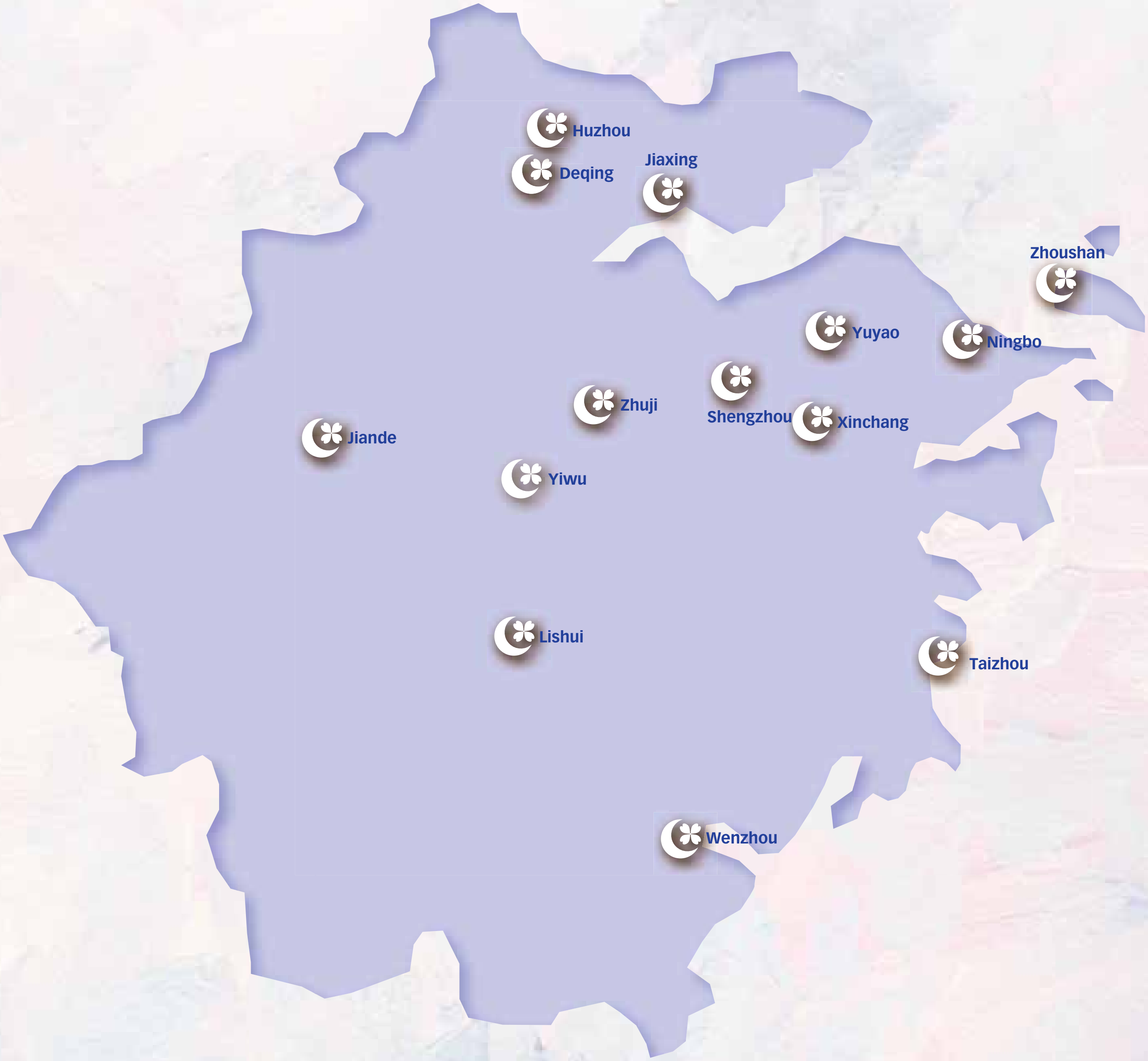
Note: The figures of total GFA and site area are subject to adjustments due to planning changes. Relevant figures will only be finalized after project completion.

Yangtze River Delta Area

Hangzhou

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Hangzhou Wulin No. 1	Office	50.0%	18,805	108,625
2	Hangzhou Wangjiang Office	Office	56.0%	9,096	51,866
3	Hangzhou Center	Urban Complex	45.0%	22,566	245,709
4	Hangzhou Hope Town	High-Rise Apartment, Hotel	45.0%	215,806	513,214
5	Hangzhou Arcadia Town	High-Rise Apartment, Low-Rise Apartment, Villa	80.0%	376,176	436,276
6	Hangzhou Young City	High-Rise Apartment	25.6%	42,593	186,137
7	Hangzhou Jinlin Mansion	High-Rise Apartment	50.0%	49,923	193,185
8	Hangzhou Osmanthus Grace	High-Rise Apartment, Villa	35.0%	26,893	108,661
9	Hangzhou Qinyuan	High-Rise Apartment	26.0%	31,685	114,769
10	Hangzhou Phoenix Mansion	High-Rise Apartment, Serviced Apartment	50.0%	35,665	137,947
11	Hangzhou Longfor Mansion	High-Rise Apartment	22.5%	47,441	203,315
12	Hangzhou Xixi Yunlu	Villa	19.5%/20.0%	83,222	180,009
13	Hangzhou Yunqi Peach Garden	High-Rise Apartment, Villa	100%	160,209	293,655
14	Hangzhou Helu	High-Rise Apartment, Villa	100%	60,247	144,106
15	Hangzhou Guiyu Chaoyang	High-Rise Apartment, Villa	50.0%	70,129	297,497
16	Hangzhou Xiaofeng Yinyue	High-Rise Apartment	100%	53,260	214,628
17	Hangzhou Hupan Yunlu	Villa	51.0%	57,820	146,133
18	Hangzhou Yungu Chunfeng	Commercial	24.0%	18,792	94,174
19	Lin'an Spring Blossom	High-Rise Apartment, Low-Rise Apartment, Villa	18.0%	167,451	264,612
20	Lin'an Mantuo Garden	Villa	80.0%	43,791	15,200
	Sub-total			1,591,570	3,949,718

Zhejiang


Huzhou
Deqing
Jiaxing
Zhoushan
Yuyao
Ningbo
Zhuji
Shengzhou
Xinchang
Jiande
Yiwu
Lishui
Taizhou
Wenzhou

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Jiande Camphora Garden	High-Rise Apartment, Commercial	100%	49,236	150,223
2	Ningbo Center	Urban Complex	49.3%	7,872	244,639
3	Ningbo Young City	High-Rise Apartment	51.0%	186,603	557,841
4	Ningbo Willow Breeze	High-Rise Apartment, Villa	51.0%	42,856	137,656
5	Ningbo Fenghua Changting Yunlu	High-Rise Apartment, Villa	60.0%	124,326	304,788
6	Ningbo Wisdom Park	Office, Commercial, Serviced Apartment	60.0%	4,843	10,500
7	Ningbo Xiangshan Baishawan Rose Garden	High-Rise Apartment, Hotel	100%	128,278	80,899
8	Yuyao Guiyu Lanting	High-Rise Apartment	100%	97,429	248,791
9	Wenzhou Xijiangyue	High-Rise Apartment, Commercial	16.5%	59,678	236,417
10	Wenzhou Liuxiangyuan	High-Rise Apartment	100%	25,567	113,261
11	Wenzhou Hengdu Project	High-Rise Apartment	37.0%	101,233	501,189
12	Wenzhou Lucheng Plaza	Office, Commercial, Serviced Apartment	100%	74,278	371,815
13	Xinchang Rose Garden	Villa	90.0%	35,277	20,764
14	Zhuji Greentown Plaza	High-Rise Apartment, Villa, Commercial	90.0%	44,308	139,546
15	Shengzhou Opera Town	Villa, Commercial	32.5%	182,898	226,602
16	Zhoushan Changzhi Island	Integrated Community	96.9%	675,586	1,389,636
17	Zhoushan Daishan Sky Blue Apartment	High-Rise Apartment	100%	58,233	180,200
18	Zhoushan Dinghai Yangjiatang Project	High-Rise Apartment	100%	43,272	182,842
19	Zhoushan Orchid Garden	High-Rise Apartment	45.0%	44,016	151,099
20	Taizhou Ningjiang Mingyue	Integrated Community	51.0%	426,466	1,198,734
21	Taizhou Yulan Plaza	Urban Complex	49.0%	23,108	121,977
22	Taizhou Tiantaishan Lotus Town	Villa, Hotel	100%	88,499	58,181
23	Linhai Rose Garden	Villa	100%	69,862	94,162
24	Jiaxing Liu’an Hefeng	High-Rise Apartment	100%	95,730	285,359
25	Jiaxing Liuxiangyuan	High-Rise Apartment	100%	55,043	148,577
26	Wuzhen Graceland	High-Rise Apartment	16.0%	97,208	238,952
27	Yiwu Peach Garden	Villa	74.5%	183,699	404,051
28	Lishui Liuxiangyuan	High-Rise Apartment, Low-Rise Apartment	51.0%	86,633	229,365
29	Deqing Guanyun Town	High-Rise Apartment, Low-Rise Apartment, Villa, Commercial	90.0%	186,578	272,699
30	Deqing Fengqi Yunlu	High-Rise Apartment, Villa	37.5%	66,969	188,981
31	Anji Peach Garden	Low-Rise Apartment, Villa, Commercial, Hotel	85.0%	1,025,980	361,454
	Sub-total			4,391,564	8,851,200

Shanghai

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Shanghai Changfeng Center	Office, Commercial	37.5%	34,493	191,583
2	Shanghai Bund House	High-Rise Apartment	51.0%	25,566	102,893
3	Shanghai Guiyu Yunxi	Villa	50.0%	16,362	37,899
4	Shanghai Yangpu District Pingliang Project	High-Rise Apartment, Commercial	20.0%	27,054	179,081
	Sub-total			103,475	511,456

Jiangsu

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Nanjing Yunqi Rose Garden	Low-Rise Apartment, Villa	79.9%	139,419	298,073
2	Wuxi Lihu Camphora Garden	High-Rise Apartment	49.0%	48,089	139,707
3	Wuxi Fengqi Heming	High-Rise Apartment, Villa	100%	96,815	325,266
4	Nantong Qinyuan	High-Rise Apartment, Villa	61.0%	52,094	139,503
5	Nantong Orchid Garden	High-Rise Apartment, Villa	61.0%	75,193	229,632
6	Nantong Gongnong Road Project	High-Rise Apartment	100%	31,398	107,220
7	Nantong Hongjiang Road Project	High-Rise Apartment, Commercial	100%	104,779	271,548
8	Changshu Mingyue Lanting	High-Rise Apartment	70.0%	69,591	201,555
	Sub-total			617,378	1,712,504

The Bohai Rim Area

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Beijing Majestic Mansion	Low-Rise Apartment	100%	241,247	229,445
2	Beijing Xishan Mansion	High-Rise Apartment	85.0%	66,380	264,207
3	Beijing One Liangma	High-Rise Apartment	40.0%	47,769	187,954
4	Beijing Xifu Haitang	Low-Rise Apartment, Commercial	33.5%	216,430	571,369
5	Beijing Shunyi Project	High-Rise Apartment	100%	41,663	108,477
6	Tianjin Spring Blossom	High-Rise Apartment, Villa	100%	432,893	473,090
7	Tianjin National Games Village	Integrated Community	40.8%	29,354	89,874
8	Tianjin Chunxi Mingyue	High-Rise Apartment, Low-Rise Apartment	60.0%	142,380	323,294
9	Tianjin Hexi Chentang W1 Project	High-Rise Apartment, Low-Rise Apartment	41.0%	17,703	51,531
10	Tianjin Hexi Chentang W2 Project	High-Rise Apartment, Low-Rise Apartment	41.0%	48,353	231,029
11	Tianjin Jiefang South Road Project	High-Rise Apartment, Low-Rise Apartment	100%	45,791	115,131
12	Jinan National Games Village	Integrated Community	45.0%	18,700	13,623
13	Jinan Center	Office	39.0%	14,726	131,877
14	Jinan Yulan Garden	High-Rise Apartment, Low-Rise Apartment, Villa	50.0%	243,524	492,542
15	Jinan New East Station Block A7	Villa	100%	64,214	148,579
16	Qingdao Jiaozhou Lagerstroemia Square	High-Rise Apartment	100%	49,987	105,032
17	Qingdao Ideal City	Integrated Community	80.0%	397,658	780,345
18	Qingdao Deep Blue Center	Commercial, Office, Serviced Apartment	40.0%	22,701	222,349
19	Shandong Laiwu Xueye Lake Peach Garden	Low-Rise Apartment, Villa, Commercial, Hotel	69.5%	723,100	309,192
20	Zibo Lily Garden	High-Rise Apartment	100%	155,500	605,625
21	Qufu Sincere Garden	High-Rise Apartment, Commercial	100%	107,966	254,961
22	Dongying Ideal City	High-Rise Apartment, Low-Rise Apartment	49.0%	448,478	991,041
23	Dalian Taoyuan Lane	High-Rise Apartment, Low-Rise Apartment	40.0%	6,475	37,170
24	Shenyang National Games Village	Integrated Community	50.0%	98,317	171,141
25	Tangshan South Lake Project	High-Rise Apartment, Commercial	40.0%	294,979	888,122
	Sub-total			3,976,288	7,797,000

The Pearl River Delta Area

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Foshan Guiyu Lanting	High-Rise Apartment	100%	49,621	237,293
2	Foshan Fengqi Lanting	High-Rise Apartment, Villa	50.0%	58,855	273,615
3	Guangzhou Guanggang New City Project	High-Rise Apartment, Villa	16.7%	38,757	252,357
4	Guangzhou Nansha Project	High-Rise Apartment	100%	45,234	122,381
	Sub-total			192,467	885,646

Chengdu-Chongqing Area

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Chongqing Orchid Residence	High-Rise Apartment	50.0%	30,332	102,413
2	Chongqing Lijia Project	High-Rise Apartment, Villa	100%	96,079	213,057
3	Chongqing Guiyu Jiuli	High-Rise Apartment, Villa	49.0%	117,436	411,116
4	Chengdu Sincere Garden	High-Rise Apartment	45.0%	116,878	426,872
5	Chengdu Phoenix Mansion	Low-Rise Apartment, Villa	100%	43,074	138,336
	Sub-total			403,799	1,291,794

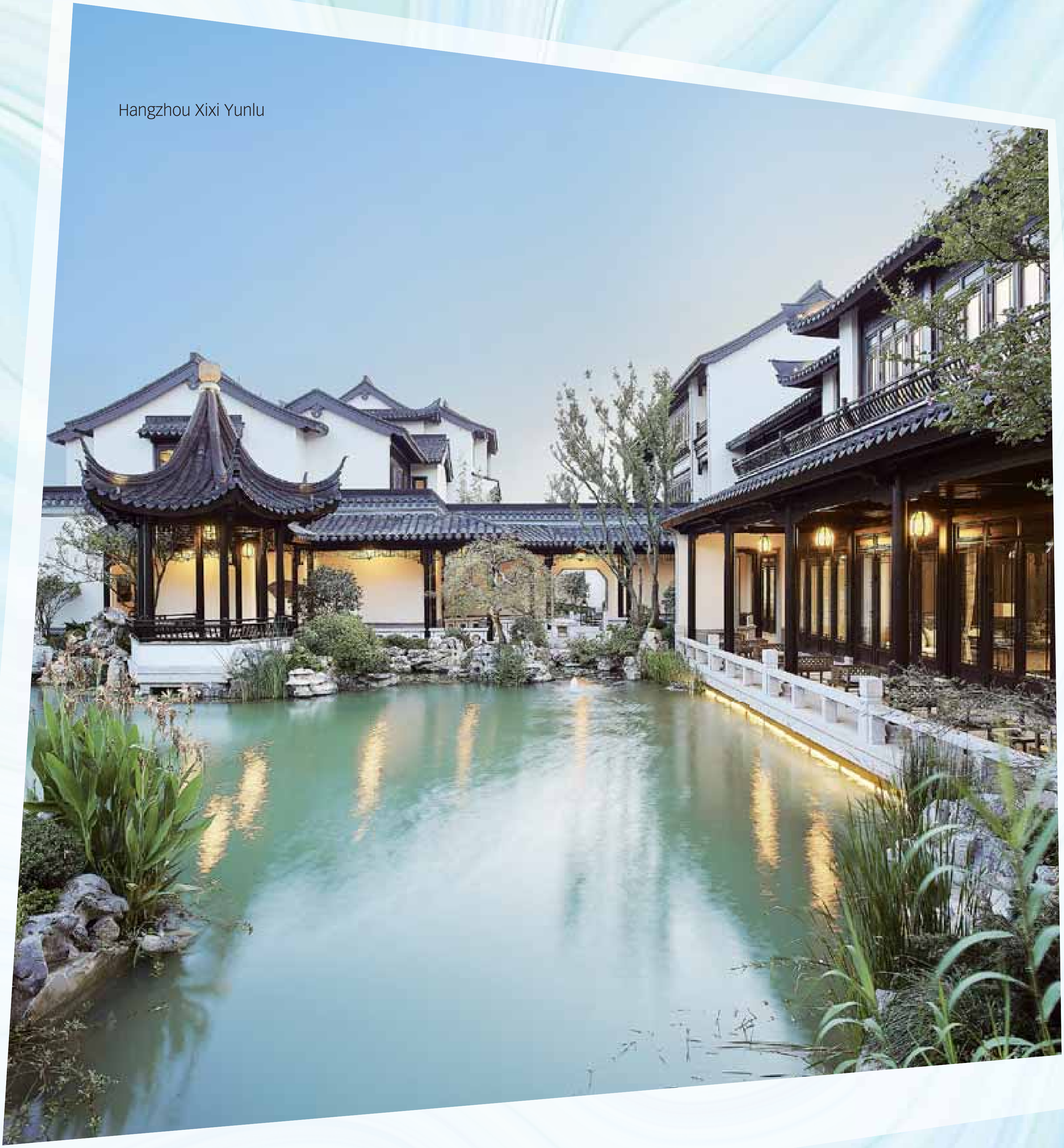
Other Areas in China

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Hainan Blue Town	Integrated Community	51.0%	1,149,583	1,115,798
2	Xi'an Hongji New Town Project	High-Rise Apartment, Commercial	80.0%	290,558	1,210,055
3	Xi'an National Games Village	High-Rise Apartment, Villa	51.0%	437,761	1,484,627
4	Wuhan Phoenix Mansion	High-Rise Apartment, Villa	80.0%	99,200	204,089
5	Wuhan Fengqi Tinglan	High-Rise Apartment	14.0%	78,633	464,205
6	Fuzhou Jinshan Project	High-Rise Apartment	80.0%	49,489	228,371
7	Fuzhou Willow Breeze	High-Rise Apartment	51.0%	63,445	211,640
8	Hefei Binhu Project	High-Rise Apartment, Low-Rise Apartment	49.5%	150,063	426,925
9	Xinjiang Lily Apartment	Commercial, Office	50.0%	35,639	192,900
10	Changsha Bamboo Garden	Villa	49.5%	555,488	230,856
11	Zhengzhou Yanming Lake Rose Garden	Low-Rise Apartment, Villa, Hotel	100%	271,135	272,542
12	Henan Xinyang Lily City	High-Rise Apartment, Low-Rise Apartment	20.0%	77,662	181,698
13	Daqing Majestic Mansion	High-Rise Apartment, Low-Rise Apartment, Villa	100%	260,005	452,391
	Sub-total			3,518,661	6,676,097

Overseas

	Projects	Type of Properties	Equity	Site Area (sqm)	GFA (sqm)
1	Indonesia Jakarta Project	High-Rise Apartment, Commercial	10.1%	136,314	778,952
2	Canada Coquitlam Project	High-Rise Apartment	40.0%	5,976	18,623
	Sub-total			142,290	797,575

Management Discussion and Analysis



Hangzhou Xixi Yunlu

Management Discussion and Analysis

Shanghai Changfeng Center

Operational Review

During the Year, the real estate market remained largely stable against the backdrop of complicated and evolving international economic and political scene as well as the domestic economic downturn and structural adjustments. At the same time, the intensifying industry competition and tightening policies is bringing the industry to a new round of consolidation. In the capital markets, with the US dollar interest rate hikes, the promotion of de-leveraging and more stringent regulatory environment, corporate financing became more difficult with a significant surge in costs. In the land market, developers have been more cautious in land acquisition, with multiple cases of failed auctions, withdrawals and winning of bids at base price.

Facing the current volatility in the market environment and the increasingly arduous development tasks, the Group adheres to a distinctive, sustainable and quality development model with the strategic vision of "integrated service provider for an ideal life" and development strategy of "balancing the development of light and heavy assets", to continuously enhance the core competitiveness of Greentown China by improving the profitability of the heavy asset sector and cultivating the light asset sector as a new growth driver. Under the support of all shareholders and the relentless efforts of all employees, in 2018, the Company has achieved significant improvement of its management and control model, the overall abundance of financial funds and the precise investment layout, together with destocking of inventories, continuously leading brand and quality, and a steady boost in operational efficiency.

Results Overview

The Group generated revenue of RMB60,303 million for the Year, representing an increase of 43.7% from RMB41,953 million in 2017. During the Year, profit before taxation of the Group amounted to RMB7,904 million, representing an increase of RMB1,513 million or 23.7% from RMB6,391 million in 2017. Profit attributable to owners of the Company amounted to RMB1,003 million for the Year, representing a decrease of RMB1,187 million or 54.2% from RMB2,190 million in 2017, mainly due to, (i) the increase in profit attributable to owners from the disposal of subsidiaries by the Group decreased by RMB770 million as compared with 2017; (ii) in light of the changing market environment, the effect of the provision of impairment loss made by the Group during the Year, based on the principle of prudence, on profit attributable to owners increased by RMB651 million as compared to 2017 (no actual impact on the Group's cash flow during the Year); (iii) as a result of the provision for unrealised net exchange loss of RMB488 million for RMB depreciation against certain foreign currency borrowings of the Group, foreign exchange net gains amounted to RMB511 million in 2017 (no actual impact on the Group's cash flow during the Year). After deducting the net post-tax effect of foreign exchange gains and losses, gains from acquisitions, provision and reversal of impairment losses on certain assets and fair value adjustments on certain assets, the core profit attributable to owners of the Company was RMB3,796 million, representing an increase of RMB1,453 million or 62% compared with RMB2,343 million in 2017.

Presales

For the 12 months ended 31 December 2018, Greentown Group (including the Company and its subsidiaries, together with its joint ventures and associates) recorded a total contracted sales area of approximately 8.12 million sqm, and a total contracted sales amount of approximately RMB156.4 billion, representing a stable year-on-year growth of 6.9%. Average selling price of investment projects reached approximately RMB25,455 per sqm (2017: RMB23,235 per sqm), standing at a leading level among property developers nationwide. In particular, Greentown Group recorded a total contracted sales area of approximately 3.98 million sqm and a total contracted sales amount of approximately RMB101.2 billion from investment projects, of which approximately RMB55.7 billion was attributable to the Group (comprising the Company and its subsidiaries), in 2018. Furthermore, as at 31 December 2018, the Group recorded a total subscription sales amount of approximately RMB1.8 billion from its investment projects, of which approximately RMB1 billion was attributable to the Group.

In addition, in 2018, Greentown Group recorded a total contracted sales area of approximately 4.14 million sqm and a total contracted sales amount of approximately RMB55.2 billion from the projects under project management business where Greentown Group delivered brand value and management expertise (non-investment projects, referred to as "projects under project management").

In 2018, the Group adopted multi-faceted sales and marketing strategies proactively, achieving an overall sell-through rate of 68% for its investment projects. Of which, the sell-through rate in first- and second-tier cities reached 71%. The sales of newly launched projects performed well with a sell-through rate of 70%. The Company also achieved remarkable results in terms of inventory reduction as reflected by a sell-through rate of 63% for its property inventories, slashing the saleable amount from RMB41.0 billion at the beginning of the Year to RMB15.1 billion at the end of the Year. In the Year, the contracted sales recorded by the Company for its investment projects were mainly distributed in the Yangtze River Delta region, representing up to 70.3% of the total contracted sales recorded by the Company for its investment projects. The Group topped the sales ranking among property developers in Zhejiang as issued by CRIC, a real estate big data application service provider in the PRC.

Land Bank

In 2018, nearly 80% of the newly acquired projects of the Group were located in first- and second-tier cities, bolstering its land bank in the national and regional core cities such as Beijing, Shanghai, Guangzhou, Hangzhou, Tianjin, Hefei, Chongqing, Xi'an and Fuzhou, thus basically completing its layout in key urban agglomerations across the country by and large. The Group replenished its land bank as appropriate in selected third- and fourth-tier cities offering relatively laxer policies, healthier market environment and faster project turnover, so as to support the scale and liquidity of the Company.

The Group acquired a total of 37 new projects in the Year, which were mainly located in premium cities across Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Pearl River Delta regions. The projects covered a total gross floor area (GFA) of approximately 7.19 million sqm, including approximately 4.20 million sqm attributable to the Group. Transaction amount totaled approximately RMB51.7 billion, of which approximately RMB33.9 billion was paid by the Group. It is estimated that the total new saleable amount will be approximately RMB127.6 billion, of which approximately RMB75.1 billion will be attributable to the Group. The average land cost of the new land parcels was approximately RMB11,398 per sqm.

As at 31 December 2018, Greentown Group had a total GFA of approximately 32.47 million sqm (including projects under construction and pending construction), of which approximately 20.32 million sqm was attributable to the Group. The total saleable area amounted to approximately 22.38 million sqm, of which approximately 13.87 million sqm was attributable to the Group. The average GFA land cost was approximately RMB5,878 per sqm. Land reserves projects in first- and second-tier cities accounted for 70% of the total saleable value.

Beijing One Liangma

Table of Newly-added Land Bank in 2018

No.	Land/Project Name	Acquired by	Equity	Total Land Cost/ Acquisition Cost (RMB million)	Paid by Greentown (RMB million)	GFA (sqm)
1	Hangzhou Yungu Chunfeng	Auction	24%	381	91	94,174
2	Hangzhou Hupan Yunlu	Auction	51%	2,341	1,194	146,133
3	Hangzhou Xiaofeng Yinyue	Auction	100%	4,811	4,811	214,628
4	Jiaxing Liuxiangyuan	Auction	100%	994	994	148,577
5	Wenzhou Xijiangyue	Acquisition	16.5%	277	277	236,417
6	Wenzhou Liuxiangyuan	Auction	100%	1,453	1,453	113,261
7	Wenzhou Hengdu Project	Auction	37%	6,920	2,560	501,189
8	Yuyao Guiyu Lanting	Auction	100%	1,246	1,246	248,791
9	Deqing Fengqi Yunlu	Auction	37.5%	1,168	438	188,981
10	Anji Peach Garden Block H3	Auction	85%	14	12	2,504
11	Anji Peach Garden Southeast Block 1	Auction	85%	54	46	12,518
12	Anji Peach Garden Southeast Block 2	Auction	85%	95	81	14,856
13	Zhoushan Orchid Garden	Auction	45%	1,357	611	151,099
14	Zhoushan Dinghai Yangjiatang Project	Auction	100%	1,142	1,142	173,923
15	Shengzhou Opera Town Phase II Small Village Block	Auction	32.5%	34	11	41,559
16	Shengzhou Opera Town Museum Block	Auction	32.5%	3	1	18,400
17	Shengzhou Opera Town Phase II Tourism Block	Auction	32.5%	50	16	98,035
18	Shanghai Yangpu District Pingliang Project	Auction	20%	4,188	838	179,081
19	Hefei Binhu Project	Auction	49.5%	2,656	1,315	426,925
20	Nantong Gongnong Road Project	Auction	100%	1,373	1,373	107,220
21	Nantong Hongjiang Road Project	Auction	100%	2,098	2,098	271,548
22	Changshu Mingyue Lanting	Auction	70%	1,622	1,135	203,607
23	Beijing Shunyi Project	Auction	100%	779	779	108,477
24	Tianjin Chunxi Mingyue	Auction	60%	1,366	819	323,294
25	Tianjin Hexi Chentang W1 Project	Auction	41%	760	312	51,531
26	Tianjin Jiefang South Road Project	Auction	100%	1,800	1,800	115,131
27	Tianjin Hexi Chentang W2 Project	Auction	41%	1,810	742	231,029
28	Guangzhou Nansha Project	Auction	100%	992	992	122,381
29	Fuzhou Willow Breeze	Auction	51%	2,930	1,494	211,640
30	Fuzhou Jinshan Project	Auction	80%	1,843	1,474	228,371
31	Xi'an National Games Village 224 Block	Auction	51%	608	310	424,178
32	Xi'an National Games Village 103 Block	Auction	51%	308	157	222,874
33	Xi'an National Games Village Wenguang 179 Block	Acquisition	51%	277	277	453,877
34	Wuhan Fengqi Tinglan	Acquisition	14%	739	739	464,205
35	Chongqing Guiyu Jiuli	Auction	49%	1,850	906	411,116
36	Chongqing Lijia Project	Auction	100%	1,320	1,320	213,057
37	Canada Coquitlam Project	Acquisition	40%	80	80	18,623
Total				**51,739**	**33,944**	**7,193,210**

Sound Operations and Healthy Finance

Operations of the Company maintained steady growth. Benefiting from the financial and credit support from its largest shareholder, China Communications Construction Group Ltd. ("CCCG"), and the overall positive prospects of the Company's operations, the net gearing ratio of the Group was 55.3% as at 31 December 2018. Bank deposits and cash (including pledged bank deposits) amounted to RMB48.219 billion, which is 2.76 times of the balance of borrowings due within one year. The weighted average interest cost of the total borrowings in 2018 was 5.4%, which stayed virtually flat as compared to 5.4% for 2017.

Maintaining smooth financing channels. In 2018, the Group actively explored new financing channels, closely monitored general financing costs and maintained sufficient funding. For offshore financing, the Company entered into a three-year syndicated loan agreement with 18 banks in July 2018, for an unsecured fixed-term loan of up to an amount equivalent to USD800 million in USD/HKD and at an annual interest rate calculated by the London Interbank Offered Rate ("LIBOR") (for the purpose of USD loans) or the Hong Kong Interbank Offered Rate (for the purpose of HKD loans) plus 2.565%. Subsequently, the Company also entered into a USD300 million three-year unsecured bilateral loan at an annual interest rate of LIBOR + 2.8% and a USD300 million five-year unsecured bilateral loan at an annual interest rate of LIBOR + 3.3% with Bank of China (Hong Kong) Limited. The above facilities are primarily used for refinancing the Group's existing offshore debts and come with lower interest rates as compared with the previous syndicated and bilateral loans, helping to reduce borrowing costs and further optimize the debt structure of the Company. In December 2018, the Group issued unlisted senior perpetual capital securities callable 2021 in the aggregate principal amount of USD500 million with an initial distribution rate of 10% in a non-public way to certain financial institutions, which in turn entered into a total return swap agreement with CCCC International Holding Limited. The proceeds from the issuance will be utilised for redeeming the subordinated perpetual capital securities callable in 2019 of USD500 million issued by the Group in 2014.

For domestic financing, the Group made issuances of debt instruments in an aggregate amount of approximately RMB20.1 billion with a weighted average annual interest rate of 5.46% in 2018. Of which, the Company issued corporate bonds in an aggregate principal amount of over RMB9 billion and short-term commercial papers of RMB4 billion, with annual interest rates ranging from 4.73% to 6%. In September 2018, the Company obtained a domestic quota of RMB8 billion for perpetual medium-term notes. Pursuant to which, RMB3.4 billion of perpetual medium-term notes had been issued with annual interest rates ranging from 5.89% to 6.2% by the end of 2018. Meanwhile, the Group strives to develop new financing channels, liquidate dormant assets and make use of such assets for financing and securitisation in an innovative manner. In January 2018, the Group's supply chain asset-backed securities (ABS) were approved by the Shenzhen Stock Exchange with a quota of RMB10 billion, which can be issued in 15 tranches within two years. As at the end of 2018, the Group had successfully issued the supply chain ABS in the amount of RMB3.564 billion with annual interest rates ranging from 4.37% to 5.6%.

Adhering to Quality-First Strategy

Continue to lead in product quality. The Group worked actively to sort out the product series and families formed throughout 24 years of development to ensure consistent product advantages of Greentown properties, thus maintaining a leading position in terms of product quality in the industry. In 2018, a number of quality projects came into being and received more than 30 design and engineering awards, including "SBID International Design Excellence Awards 2018", "Tien-yow Jeme Civil Engineering Prize" and "Guangsha Prize". In 2018, the Company effectively carried out measures to make its products more "standardised, industrialised, technology-based, and environmentally friendly", shortened the construction period and saved construction costs while ensuring product quality.

Remarkable results in service quality improvement. The Group continues to enhance service quality and seeks to build an ideal life for home owners. In 2018, Greentown Group won the honorable title of "China's Leading Real Estate Companies by Customer Satisfaction" for the seventh consecutive year. The Group also makes proactive efforts in stipulating standard for brand building. By using the first "Greentown Life Developers Conference" as a model, the Group implemented comprehensive brand building in 11 newly-developed cities and carried out four community living service systems. In 2018, the Greentown brand heightened further with brand value reaching RMB39.852 billion, representing a year-on-year increase of 37%, and the Company was again named "2018 Top 10 Chinese Real Estate Companies by Brand Value (No.1 among mixed ownership enterprises)".

Diversified Development Centering on its Principal Business

Leading in project management industry. The Group is currently the largest and most professional project management service provider in China, and a trusted brand of customers and government clients. The Group was awarded "Leading Enterprise in Real Estate Project Management Operation in China" (中國房地產代建運營引領企業), "China Influence – Business Model Award" (中國影響力商業模式大獎) and "Distinguished CSR Contribution Award" (卓越CSR貢獻獎) in 2018. With first-class construction capabilities, high-quality products and standardised operation, the scale of the project management business of the Group expanded rapidly in 2018, 142 projects were added during the Year. As at 31 December 2018, the Group had 282 projects under management, with a total planned GFA of approximately 63.36 million sqm. Of these, 164 were commercial projects with a total saleable amount of approximately RMB342.8 billion. As the Group's project management business continues to expand, the profitability has increased steadily over the years, the profit contribution to the Company from asset-light business will be further increased in the future.

Building of financial platform. To accelerate the collaborative development of property and finance, the Group acquired 900 million shares of Aeon Life Insurance Company, Ltd. ("Aeon Life") (representing approximately 11.55% of its issued share capital) at a consideration of RMB2.718 billion and became its single largest shareholder in December 2018, giving a boost to the Group's financial management platform. The Group will draw on the strength of the Greentown brand in the future to integrate various business aspects, including insurance products, health management, elderly care services and investment and finance, which will create synergy with the principal business and provide solid support for strategic upgrade of the Group.

Working to Create a Win-win Situation with the Support of Shareholders

The Group capitalised on the resources and rich capital market experience of its major shareholders, namely CCCG (a state-owned enterprise) and Wharf (a Hong Kong blue chip enterprise), to carry out multi-dimensional strategic cooperation in aspects such as resources sharing, financial capital, financial service and asset-light business. It also rode on Mr. SONG Weiping, the founding shareholder's relentless pursuit of better product and service quality, to strive to establish itself as a model for mixed ownership enterprises. In August 2018, the Group signed a strategic cooperation agreement with CCCG, intending to strengthen project cooperation with mutual benefits and synergy. Within four months, Fuzhou Jinshan, Tianjin Chentang, Shanghai Yangpu and Guangzhou Nansha were launched successively. Up to the date of this announcement, the parties had launched eight cooperation projects, with a total GFA of approximately 2.07 million sqm.

Ningbo Wisdom Park

OUTLOOK

Facing the dramatic changes in the real estate sector and the rapid improvement of people's living standard, we believe that the cornerstone position of the real estate sector, the demand for property arising from the urbanisation process as well as people's pursuit of a better life will remain unchanged. As a typical mixed ownership real estate developer, Greentown will strive to improve the product quality, product innovation and brand building towards the goal of becoming a benchmark in the sector.

In recent years, with the support from its substantial shareholders, the Group maintained sound operating conditions, reasonable debt structure and low financing costs, which lays a solid foundation for its transformation and development in the future. In addition to evaluating the market, keeping up with industry benchmark as well as analyzing its own strengths and challenges, the Group formulated a three-year development plan in a systematic and scientific manner, pursuant to which the Group will uphold the vision of becoming the "integrated service provider for an ideal life", deem "quality first while taking into account others" as its principle of development, make "balancing the development of light assets and heavy assets, and developing light assets on the foundation of heavy assets" as the development direction. The Group will also consider the "six elements", namely image, quality, status, brand, integrity, and character, as its keys to success. The Group will promote the development of each business around the mission of building a beautiful life and strive to capture opportunities arising from transformation in order to achieve its top three strategic objectives, namely top-notch product quality, top-level customer satisfaction and top comprehensive performance.

In 2019, we shall commit to focusing on the strategy and adapt to the evolving environment by adhering to our core values of "Sincerity, Kindness, Exquisiteness and Perfection". With the goal of enhancing profitability and improving operation quality in all aspects, we shall take action to give back to shareholders for their keen support towards the Company and build a solid foundation to accomplish the strategic plans set out in three-year plan.

Organisation for Securing and Nurturing Talents

Organisational structure stays vibrant. In order to keep abreast of the industry development and implement its development strategy, the Group optimised and adjusted the corporate organisational structure in January 2019, consolidating the business of its subsidiaries and reducing the number of subsidiaries from 16 to 11 to form an "8+3" structure encompassing light assets and heavy assets sectors. The regional companies will implement regional project management to facilitate business integration and improve use its human resources more efficiently. In addition to the seven functional divisions at the group level, the Group also established four new divisions, namely featured real estate division, town development division, financial division and business management division, which are responsible for coordinating various resources and improving operational efficiency to safeguard the promising growth of traditional real estate development business and comprehensive industries.

Constantly improving operation system. With its management being positioned as the "central nervous system", the Group will manage and control the whole operation cycle, cover all business sectors, foster cooperation among connected business units, while also monitor and manage in a dynamic and timely manner. Meanwhile, the Group builds and optimises internal systems like digital operation, risk control system, standardisation system and coordination mechanism to comprehensively improve its overall operation efficiency.

Win-win incentive scheme for success. The Group's first short-, medium- and long-term incentive mechanism "Win-win Mechanism for Greentown China" (《綠城中國共贏機制》) has been officially implemented since 1 January 2019. This win-win incentive mechanism mainly targets at staff members, with an aim to achieve beneficial outcome for both employees and the Company. In addition to the existing remuneration system, medium- and long-term incentive measures such as project co-investment scheme and share award scheme have been introduced to promote the sharing of risks and return and growth among shareholders, the Company and employees.

Talent cultivation for future development. Talent training and cultivating outstanding employees are not only essential to the Group's strategic upgrade and development, but also a full demonstration of Greentown's "people-oriented" principle. Leveraging on the establishment of Greentown University, the Group will enhance its selection and employment of staff in accordance with its strategic targets. The Group helps its employees to grow with the Company through nurturing core talents with comprehensive and outstanding operating capabilities.

Retaining Own Characteristics and Pursuing Constant Innovation

Maintaining competitive advantages in the industry. Under the guiding principle of "quality first", the Group will extensively enhance its core competitiveness with strengthened product innovation. The R&D Center (建研中心) will be an essential engine and testing ground for products featuring "standardised, industrialised, high-tech, and environmentally friendly". It will cover all dimensions such as subject studies and research and development, proofing, testing, material collection and professional training. Therefore, the quality internal and external resources can be actively integrated to promote new business lines and incubation of new industries and new technologies, transform R&D results into practical applications which will later be used in its project, and improve the operational turnover with guaranteed quality.

Upgrading overall customer service. With "Beautiful building, Beautiful life" as brand proposition, the Company takes its properties and customers as core service targets, and continuously improves the quality of living service for customers. In 2019, the Group will take the opportunity of the second "Greentown Life Developers Conference" to officially launch living service system 2.0, which aims to optimise service content through customisation, improve service efficiency through commoditisation, combine the online-offline experience through digitalisation, and ensure continuous service through commercial operation. All of which will enhance the overall customer service system and maintain the leading advantage of Greentown China's service quality in the industry.

Deqing Yingxi Arcadia

Precise Investment Strategy and Optimization of Landbank

The Group will optimise the management and control on investment and refine the reward and punishment system. The Group will also improve the investment management mechanism, supplement the managing and controlling system on classification and category basis covering multi-business types, improve the management and control efficiency and increase the degree of rewards and punishment.

The Group will continue to adopt city-specific strategies and seize landbanking opportunities. It will conduct in-depth research on target cities, deploy different investment strategies and commence a new round of land replenishment plan.

The Group will adhere to value investment and optimize the land reserve structure by deepening its footprint in the five major urban agglomerations, while further expanding around core first- and second-tier cities, the Group will also seek to replenish land resources in selected third- and fourth-tier cities in a flexible manner.

The Group will ride on the resources of major shareholders like CCCG and Wharf and strengthen its cooperation relationship with strategic partners to form a larger range of strategic collaboration and expand the Company's land bank.

The Group will diversify its product offerings by devoting more efforts to featured property development. It will expand the scale of featured projects, and gradually establish competitive barriers to gain more opportunities to obtain projects with low land prices.

Strengthening Featured Development of Asset-heavy Segments

In terms of its asset-heavy segments, the Group will remain focused on investment and development, maintain its leading position in the industry with excellent property quality, while ceaselessly accelerate operation turnover by differentiating in certain niche segments in the property market and developing featured projects to stand out in multiple market segments and obtain more low-cost, profitable projects and seek new growth drivers. In particular, the Group will develop the emerging market segments of beautiful countryside on the basis of consolidating its benchmarking position in the construction of ideal towns, and seek to become a strong driving force for new urbanisation and rural revitalisation. Leveraging on its experience in the development and event service for the National Games Village for four consecutive years, the Group will actively acquire more sports-related projects to create opportunities for large-scale, strategic land bank acquisition. Based on the successful operation experience of the existing transit-oriented development ("TOD") properties, the Group will be able to create technical barriers against industry competition, seize the opportunities brought by the rapid development of rail transit in China, commit to the promotion of TOD property development.

Developing Asset-light Segments around the Main Business

The Group will strategically develop its asset-light business around its principal business, enrich product offerings and seek new elements to boost the profit contribution of the asset-light segments in the long run. The Group's project management segment continues to lead the industry with expanding scale and improving profitability. The living service segment seeks to build a full industry chain of customer service, housing 4S service, community business, elderly and healthcare, smart living and other innovative services, to support the development of the main business. At the same time while constantly improving the elderly care service system and accelerating the development of the elderly care business. The housing technology segment undertakes the whole industry chain business such as research and development, construction, consulting and supporting services, and continues to explore new business opportunities and enhance the profitability. At the same time, the acquisition of a stake in Aeon Life Insurance Company, Ltd. will serve as a window for the Group to increase investment in financial services business, build investment capacities that match with capital needs of construction management and real estate fund business, which will further strengthen the synergy between the Group's comprehensive asset-light segments and real estate business to form a mutually supportive business layout.

Saleable Resources in 2019

In 2019, the total saleable housing area of Greentown Group is expected to reach approximately 14.95 million sqm, with a total saleable amount of approximately RMB290.9 billion. Of these, Greentown Group will have 117 investment projects for sale in 2019, which is expected to provide saleable area of approximately 8.12 million sqm, and a total saleable amount of approximately RMB202.9 billion, (of which approximately RMB46.9 billion will be attributable to inventory property projects from 2018; approximately RMB156 billion is expected to be new saleable properties). The total saleable area in first- and second-tier cities is expected to be approximately 5.46 million sqm, and the saleable amount is expected to be approximately RMB147.6 billion, representing 73% of the total saleable amount in 2019. The saleable area of Greentown Group's projects under project management is estimated to reach approximately 6.83 million sqm, with saleable amount of approximately RMB88 billion in 2019.

FINANCIAL ANALYSIS

Revenue

The revenue of the Group mainly derives from the sales of properties, as well as from hotel operations, property rental, project management, sales of construction materials, design and decoration, etc. During the Year, the revenue of the Group amounted to RMB60,303 million, representing an increase of 43.7% from RMB41,953 million in 2017, which was mainly attributable to higher revenue from the sales of properties.

During the Year, the Group's revenue from property sales amounted to RMB55,274 million, accounting for 91.7% of the total revenue and representing an increase of 45.7% from RMB37,936 million in 2017. RMB7,989 million of such increase was attributable to the application, for the first time, of IFRS 15 Revenue from Contracts with Customers accounting for 14.5% of the revenue from property sales. Excluding the effect of the above factor, revenue from property sales amounted to RMB47,285 million for the Year, representing an increase of 24.6% from 2017, which was mainly due to the significant increase in the total area of properties recorded revenue. The area of properties recorded revenue during the Year grew by 71.2% to 3,393,106 sqm from 1,981,427 sqm in 2017. The average selling price of properties recorded revenue for the Year was RMB16,290 per sqm, representing a decrease of 14.9% from RMB19,146 per sqm in 2017. Such decreases were mainly attributable to the fact that a higher percentage of the sales of properties recorded revenue during the Year, was made with respect to Shengzhou Greentown Mansion, Yuyao Mingyuan, Taizhou Ningjiang Mingyue, which are located in third- and fourth- tier cities, affecting the average selling price to a certain degree.

Anji Peach Garden

Properties with the revenue recognised by subsidiaries during 2018 are as follows:

Projects	Type of Properties	Area Sold (sqm) (Note)	Sales Revenue (RMB million)	% of Total	Average Selling Price (per sqm RMB)
Tianjin National Games Village	Integrated Community	482,489	12,720	23%	26,363
Chengdu Wenrude	High-rise Apartment, Villa	166,546	4,096	7.4%	24,594
Qingdao Ideal City	Integrated Community	299,258	3,861	7%	12,902
Shengzhou Greentown Mansion	High-rise Apartment, Villa	267,806	2,669	4.8%	9,966
Shanghai Bund House	High-rise Apartment	18,839	2,590	4.7%	137,481
Yuyao Mingyuan	High-rise Apartment	193,540	2,449	4.4%	12,655
Taizhou Ningjiang Mingyue	Integrated Community	205,441	2,317	4.2%	11,278
Zhoushan Rose Garden West Area	Integrated Community	144,907	2,163	3.9%	14,927
Hainan Blue Town	Integrated Community	83,218	2,154	3.9%	25,884
Hangzhou Arcadia Town	High-Rise Apartment, Low-Rise Apartment, Villa	162,844	1,709	3.1%	10,495
Jinan Yulan Garden	High-Rise Apartment, Low-Rise Apartment, Villa	149,174	1,654	3%	11,088
Hangzhou Jade Mansion	High-rise Apartment	54,041	1,603	2.9%	29,663
Others		1,165,003	15,289	27.7%	13,124
Total		**3,393,106**	**55,274**	**100%**	**16,290**

Note: Areas sold includes aboveground and underground areas.

During the Year, projects in Zhejiang (excluding Hangzhou) area achieved property sales revenue of RMB16,347 million, accounting for 29.6% of the total property sales and ranking top. Projects in Tianjin area achieved property sales revenue of RMB12,766 million, accounting for 23.1% of the total property sales and ranking second. Projects in Shandong area achieved property sales revenue of RMB8,000 million, representing 14.5% of the total property sales and ranking third.

During the Year, the Group's revenue from sales of high-rise apartments, low-rise apartments and serviced apartments amounted to RMB48,408 million, accounting for 87.6% of the total property sales. Sales revenue from villas amounted to RMB6,319 million, accounting for 11.4%, and that from offices amounted to RMB547 million, accounting for 1%.

During the Year, the Group recorded RMB2,524 million in the revenue from its design and decoration business, representing an increase of RMB433 million or 20.7% from RMB2,091 million in 2017. The high-end fit-out products and services provided by the Group's design and decoration business were highly regarded by customers, sustaining a continuously stable expansion of business scale.

During the Year, the Group's revenue from project management service amounted to RMB1,366 million, representing an increase of 46.7% from RMB931 million in 2017. The Group stresses both the light-asset and heavy-asset aspects of its business in its development. Capitalising on its first-grade construction level, high quality products and standardised operation model, Greentown Management Holdings Company Limited (綠城管理控股有限公司) maintains its leadership in terms of scale of project management and a well-received brand in the industry a benchmark for the project management sector. The project management business, as a whole, has shown good momentum of development.

During the Year, the Group's revenue from hotel operations amounted to RMB776 million, representing an increase of 8.2% from RMB717 million in 2017. Rental income from investment properties amounted to RMB85 million, representing an increase of 21.4% from RMB70 million in 2017, which was mainly attributable to an increase in rental income of the Zhuji IN CITY newly opened in 2017.

Gross Profit and Gross Profit Margin

During the Year, the Group recorded gross profit of RMB13,752 million, representing an increase of 70.3% from RMB8,076 million in 2017, which was mainly attributable to an increase in revenue from sales of property.

During the Year, the Group achieved a gross profit margin of 22.8%, representing a significant increase from 19.2% in 2017 (the gross profit margin of property sales was 21.3%, representing a significant increase from 17.5% in 2017). Excluding the fair value adjustment on the cost of sales which arised from the Group's acquisition of subsidiaries, the Group achieved a gross profit margin of property sales of 31.1% for the Year, representing a slight decrease from 31.8% in 2017. It is mainly about the impact of the significant financing component confirmed by IFRS 15 "Revenue from Contracts with Customers" on revenue and cost of sales, the gross profit margin of property sales was 32.8%, representing an increase from 31.8% in 2017 after statistical adjustment for above factors.

Other Income

During the Year, the Group recorded other income of RMB1,860 million, representing an increase of RMB1,148 million from RMB712 million in 2017. Other income, mainly comprising interest income, dividends from equity instruments at FVIOCI, government grants and comprehensive service income, etc, grew by 161.3% compared with last year. Such increase was mainly attributable to the fact that the Group added a relatively large number of new projects during 2018, which led to a larger interest income, mainly caused by the increase in the amount due from related parties.

Other Gains and Losses

During the Year, the Group incurred a loss in other gains and losses of RMB510 million, which was mainly attributable to the provision of unrealised net foreign exchange loss during the Year, representing a decrease of RMB1,143 million from a gain of RMB633 million in 2017. As at 31 December 2018, the Group had bank borrowings in foreign currencies and overseas senior notes balance at an aggregate amount of USD2,028 million. During 2018, the exchange rate of RMB against US dollars depreciated by approximately 5%. Excluding the effects of foreign currency on the financial assets of the Group, the Group's provision for unrealised net foreign exchange loss amounted to RMB488 million during the Year, as compared to the net foreign exchange gain of RMB511 million in 2017.

Administrative Expenses

Administrative expenses included human resource costs, daily operating expenses and other expenses, such as product research and development expenses. During the Year, the Group incurred administrative expenses of RMB3,895 million, representing an increase of RMB1,035 million, or 36.2%, from RMB2,860 million in 2017, which was mainly attributable to the expansion of company scale, increase in human resource costs, depreciation and product research and development expenses. Human resource costs is the single largest expenditure in administration expenses. Such expenditure amounted to RMB1,834 million in 2018 (2017: RMB1,300 million), representing an increase of RMB534 million, or a year-on-year increase of 41.1%, mainly due to the fact that more land bank has been newly acquired as well as more development projects in the fourth quarter in 2017 and during 2018. On the other hand, the amortisation of the new share options granted by the Group to the Directors and senior management at the end of 2017 and August 2018 amounted to RMB134 million (2017: RMB2 million), which was recorded in human resource costs. During the Year, daily operating expenses included in administration expenses amounted to RMB1,036 million (2017: RMB755 million), representing an increase of RMB281 million, or a year-on-year increase of 37.2%. Of which, Zhoushan Rose Garden Hotel and Zhoushan Yuhua International School, etc. commenced operations successively during the second half of 2017 and 2018. The depreciation charge for the Year increased by RMB120 million accordingly. Also, the more projects resulted in the increase of the daily operating expenses. During the Year, other expenses included in administration expenses amounted to RMB1,025 million (2017: RMB805 million), representing an increase of RMB220 million, or a year-on-year increase of 27.3%, which was mainly attributable to the increase in product research and development expenses incurred by new products, as well as patents of decorations and renovations, and an increase in tax expenses.

Selling Expenses

Selling expenses mainly include human resource costs, marketing activities expenses and daily operating expenses. During the Year, the Group incurred selling expenses of RMB1,844 million, representing an increase of RMB227 million or 14% from RMB1,617 million in 2017. As the single largest expenditure in selling expenses, marketing activities expenses amounted to RMB894 million for the Year (2017: RMB727 million), representing an increase of RMB167 million, or a year-on-year increase of 23%. During the Year, human resource costs incurred in sales amounted to RMB627 million, representing a slight decrease of 0.6% from RMB631 million in 2017. During the Year, the daily operating expenses in relation to sales expenses incurred amounted to RMB323 million (2017: RMB259 million), representing an increase of RMB64 million, or a year-on-year increase of 24.7%.

During the Year, the increase of selling expenses of the Group was mainly due to the increase in scale of sales. In 2018, the sales ratio of the Group was little changed from 2017. As well as the fact that the number of newly-entered cities for Greentown China in 2018 reached a historical high. In order to carry out annual brand promotion for Greentown China and establish brand in newly-entered cities, the Group commenced standard brand activities in 11 newly-entered cities, including Chengdu, Chongqing, Nantong.

Finance Costs

During the Year, interest expenses recorded in the Group's consolidated statement of profit or loss and other comprehensive income amounted to RMB1,552 million (2017: RMB1,477 million). Interest expenses for the Year totaled RMB5,417 million, representing an increase of RMB1,699 million from RMB3,718 million in 2017, mainly due to the increase in the number projects under development and the weighted average of loan balance outstanding in the Year. The weighted average interest cost during the Year was 5.4%, which remained stable as compared with 5.4% in 2017, which was mainly due to the Group's continuous improvement of its debt structure, active innovation of its financing model and expansion of its financing channels. In the meantime, the Group continued to promote property financialization, which enabled finance costs to be remained at a lower level. During the Year, capitalised interest amounted to RMB3,865 million, with a capitalisation rate of 71.3% which represented an increase from 60.3% in 2017. Such increase was mainly attributable to new-added developments.

Share of Results of Joint Ventures and Associates

During the Year, the Group's share of results of joint ventures amounted to a gain of RMB175 million and the share of results of associates amounted to a gain of RMB326 million, totaling an aggregate gain of RMB501 million which represented a decrease of RMB49 million from a gain of RMB550 million in 2017. The decrease was mainly due to the provision for impairment loss for certain properties. Excluding such factor, the aggregate gain amounted to RMB831 million in 2018, representing an increase of RMB100 million from a gain of RMB731 million in 2017.

During the Year, the provision for impairment loss for properties by the Group was mainly provision of impairment loss of RMB778 million for Qingdao Greentown Huajing Real Estate Co., Ltd. (Qingdao Deep Blue Center) which reduced the Group's share of results of associates by RMB311 million.

During the Year, revenue from property sales recognized by joint ventures and associates amounted to RMB24,186 million in aggregate, representing a decrease of 12.5% from RMB27,633 million in 2017, and gross profit from property sales amounted to RMB6,943 million, representing an increase of 64.7% from RMB4,215 million in 2017, which was mainly due to the higher sales proportion of Hangzhou Young City, Jinan National Games Village and Xuzhou Lagerstroemia Mansion and a relatively higher gross profit margin from property.

Jinan National Games Village

Projects with the revenue recognised by joint ventures and associates in 2018 are as follows:

Projects	Category	Type of Properties	Area Sold (sqm) (Note)	Sales Revenue (RMB million)	% of Total	Average Selling Price (per sqm RMB)
Shenyang National Games Village	Joint Venture	High-Rise Apartment, Villa	294,918	2,410	10%	8,172
Xuzhou Lagerstroemia Mansion	Joint Venture	High-Rise Apartment, Villa	84,224	2,191	9.1%	26,014
Hangzhou Phoenix Mansion	Joint Venture	High-Rise Apartment	20,872	1,305	5.4%	62,524
Hangzhou Young City	Associate	High-Rise Apartment	163,056	3,426	14.2%	21,011
Jinan National Games Village	Associate	High-Rise Apartment, Villa	152,237	2,774	11.5%	18,222
Hangzhou Wulin No. 1	Associate	High-Rise Apartment	17,375	1,412	5.8%	81,266
Dalian Taoyuan Lane	Associate	High-Rise Apartment	89,889	1,401	5.8%	15,586
Qingdao Deep Blue Center	Associate	High-Rise Apartment	22,406	1,121	4.6%	50,031
Jinan Center	Associate	High-Rise Apartment, Office	96,966	1,083	4.5%	11,169
Others			366,537	7,063	29.1%	19,270
Total			**1,308,480**	**24,186**	**100%**	**18,484**

Note: Area sold includes aboveground and underground areas.

Taxation Expenses

During the Year, taxation included the land appreciation tax of RMB3,889 million (2017: RMB2,150 million) and enterprise income tax of RMB1,640 million (2017: RMB1,570 million). During the Year, the effective enterprise income tax rate was 33.0% (excluding the share of results of joint ventures and associates, the losses of certain offshore subsidiaries and net foreign exchange loss), higher than the statutory tax rate of 25.0%. This was mainly attributable to the early provision for withholding tax on dividend, the losses of certain onshore subsidiaries with unrecognised deferred tax assets and expenses non-deductible for taxation purposes.

Gain from Changes in Fair Value of Investment Properties

Investment property is a property held for rental earning and shall be measured at fair value. The Group commissioned Cushman & Wakefield Limited to provide valuation on certain investment properties located in Jinan, Dalian, Qingdao, Zhuji, etc. According to the results of the valuation, the gain from changes in fair value of investment properties amounted to RMB132 million in 2018 (2017: a gain of RMB253 million), which was mainly due to the appreciation of the Jinan Financial Centre (濟南金融中心) acquired in 2018.

Provision and Reversal of Provision for Impairment Losses for Certain Assets

In light of the risk and uncertainty brought by the purchase restriction and the credit tightening policy of the PRC property market, the Group commissioned Cushman & Wakefield Limited to provide valuation on certain properties. According to the valuation and test results, the reversal of impairment by Xinchang Greentown Real Estate Co., Ltd., a subsidiary of the Group, for its hotel property amounted to RMB17 million;

The Group respectively made provisions for impairment loss of certain subsidiaries for their completed properties for sale, properties for development, properties under development and inventories during the Year as follows:

Name of Company	Name of Project	Impairment Loss (RMB million)
Xi'an Xinhongye Investment Development Co., Ltd.	Xi'an Hongji New City	270
Chengdu Zhezhongda Real Estate Co., Ltd.	Chengdu Wenrude	97
Beijing Yunxi Greentown Real Estate Development Co., Ltd.	Beijing Miyun	57
Greentown Hengji Daqing Real Estate Co., Ltd.	Daqing Majestic Mansion	18
Shanghai Yijing Garden View Engineering Co., Ltd	Inventories	18
Zhuji Yuedu Real Estate Co., Ltd.	Zhuji Greentown Plaza	9
Total		**469**

In addition, through the application of IFRS 9 for the Year, an impairment loss of RMB514 million and RMB769 million was made on the amount due from related parties and trade and other receivables respectively, based on the expected credit loss impairment model and taking into account a comprehensive range of factors such as the objects of receivables and aging. Mainly due to the impact of government's restrictions on purchases, the property deals of Shenyang's market shrinked and the wait-and-see mood in there reached on a stronger. The Group accounted the provision of impairment loss of RMB405 million for Shenyang National Games Village Construction Co., Ltd., based on the principle of prudence. In addition, due to the high extent of uncertainty about fund withdrawal from the previous partner of the Group's real estate project – Jiajing Real Estate Development Group Co., Ltd., the provision of RMB549 million was made by the Group.

Contract Liabilities

Contract liabilities mainly represent the amounts received from the pre-sale of properties. As at 31 December 2018, the balance of contract liabilities of the Group was RMB66,267 million, representing an increase of RMB367 million or 0.6% from the pre-sale deposits of RMB65,900 million as at 31 December 2017.

As at 31 December 2018, the balance of contract liabilities of joint ventures and associates was RMB38,883 million, representing a decrease of RMB8,574 million or 18.1% from RMB47,457 million as at 31 December 2017, which was such decrease mainly due to the higher revenue recognised for the Year, as well as retrospective adjustment to the opening amount of contract liabilities upon the application of IFRS 15 "Revenue from Contracts with Customers".

Financial Resources and Liquidity

As at 31 December 2018, the Group had bank balances and cash (including pledged bank deposits) of RMB48,219 million (as at 31 December 2017: RMB35,977 million). Total borrowings amounted to RMB81,458 million (as at 31 December 2017: RMB57,706 million) and net liabilities (total borrowings less bank balances and cash) amounted to RMB33,239 million (as at 31 December 2017: RMB21,729 million). The net gearing ratio was 55.3%, which is higher than the net gearing ratio of 46.4% as at 31 December 2017 but remained at a reasonable level. Balance of borrowings due within one year amounted to RMB17,481 million, accounting for 21.5% of the total borrowings. The closing balance of bank deposits and cash was 2.76 times the balance of borrowings due within one year. Cash flow was sufficient, coupled with a reasonable debt structure, providing a strong support for the subsequent development of the Company.

Greentown Group has obtained facilities of more than RMB225.5 billion from financial institutions, of which approximately RMB156.3 billion was available as at 31 December 2018.

Material Disposals

On October 2017, the Group entered into an equity transfer agreement with an independent third party, pursuant to which the Group disposed of its 60% equity interests in Liuzhou Greentown Investment Co., Ltd. and its subsidiaries, Liuzhou Greentown Real Estate Development Co., Ltd.. The completion of delivery and the change of control took place in January 2018. The consideration for such equity transaction was RMB408 million. Such disposal increased the net profit of the Company for the Year by RMB290 million.

On December 2017, the Group entered into an equity transfer agreement with a related party, Greentown Holdings Group Limited, pursuant to which the Group agreed to dispose its 100% equity interests held in Hangzhou Rose Garden Resort Co., Ltd. (杭州玫瑰園度假村有限公司), a wholly-owned subsidiary of the Group, the assets of which comprise a piece of land and the hotel built thereon in Hangzhou, as well as 90% equity interests in Hangzhou Greentown Imports & Exports Trading Co., Ltd. (杭州綠城進出口貿易有限公司). The completion of delivery and the change of control took place in January 2018. The consideration for the equity transfer was RMB287 million. Such disposals increased the net profit of the Company by RMB111 million for the Year.

For details of such equity transfer agreement, please refer to the connected transaction announcement of the Company dated 28 December 2017.

Business Combinations

Jinan Dongchuang Real Estate Co., Ltd. (濟南東創置業有限公司), formerly a joint venture of the Company, became a subsidiary of the Company due to changes in the control of voting rights during the Year. The subsidiary holds and develops Jinan Yulan Garden. During such business combination in the Year, the Group re-measured the company's net assets at fair value, with the company's fair value gains recalculated to be RMB591 million as at the date of acquisition. The gains from such business combination and the effect of fair value adjustments on costs added a total of RMB333 million to the Company's net profit.

Risks of Foreign Exchange Fluctuation

The principal place of operation of the Group is in the People's Republic of China, and the majority of the income and expenditure was settled in RMB. As the Group had deposits in foreign currencies, amounts due from and to related parties and third parties denominated in foreign currencies, as well as bank borrowings in foreign currencies and overseas senior notes, the Group was exposed to foreign exchange risks. No foreign exchange hedging arrangements had been entered into by the Company during the year, due to the provision of net foreign exchange loss of RMB488 million for the depreciation of RMB, though there was no effective cash outflow. The Company will pay attention to the changes in foreign exchange market and actively conduct discussion with various major banks on foreign exchange hedging solutions.

Financial Guarantees

The Group provided financial guarantees to certain banks for mortgage facilities granted to buyers of the Group's properties. As at 31 December 2018, such financial guarantees amounted to RMB33,938 million (as at 31 December 2017: RMB30,777 million).

Haikou Spring Blossom

Pledge of Assets

As at 31 December 2018, the Group pledged investment properties, properties for development, properties under development, completed properties for sale, property, plant and equipment, prepaid lease payment, pledged bank deposits, interests in joint ventures and interests in associates, with an aggregate carrying value of RMB67,015 million (as at 31 December 2017: RMB42,359 million) to secure general credit facilities granted by banks and other financial institutions to the Group.

Capital Commitments

As at 31 December 2018, the Group had contracted, but not provided for, capital expenditure commitments of RMB25,909 million (31 December 2017: RMB19,815 million) in respect of properties for development, properties under development or construction in progress.

Capital Expenditure Plan

In consideration of the complicated and highly uncertain economic environment, the Group takes a prudent approach towards the use of funds to secure the capital chain. Currently, therefore, there is no material capital expenditure plan.

Human Resources

As at 31 December 2018, the Group employed a total of 7,535 employees (31 December 2017: 5,446). The employees of the Group were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed by the remuneration committee and the Board on a regular basis. As an incentive for the employees, bonuses, cash awards and share options may also be granted to the employees based on their individual performance evaluation.

Retirement Benefit Scheme

The Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

Shanghai Bund House

Events after the Balance Sheet Date

On 4 January 2019, the Group entered into a cooperation agreement with, among other parties, CCCC Urban Investment Holding Company Limited, a subsidiary of CCCG, and an independent third party in relation to the introduction of such two investors in the joint development of a land parcel situated in Nansha District of Guangzhou in the PRC with a gross site area of approximately 45,234 sqm. Please refer to the announcement of the Company dated 4 January 2019 for further details of the cooperation agreement.

On 14 January 2019, Xi'an International Land Port Development Co., Ltd. ("Xi'an International Land Port"), a non-wholly owned subsidiary of the Company, entered into certain construction agreements with a subsidiary of CCCG pursuant to which Xi'an International Land Port agreed to engage such subsidiary of CCCG as the main contractor to carry out the construction works of Phase Three of Plots 3, 4, 7 and 8 of Xi'an National Games Village at the consideration of RMB416,487,047.06. Please refer to the announcement of the Company dated 14 January 2019 for further details of the construction agreements.

On 8 February 2019, Champion Sincerity Holdings Limited, a wholly-owned subsidiary of the Company, issued two series of senior perpetual capital securities each callable 2022 in the aggregate principal amount of US$400,000,000 and US$100,000,000, respectively. Both series of perpetual notes are guaranteed by the Company and the US$400 million perpetual notes are also supported by a keepwell deed and deed of equity interest purchase undertaking of CCCG. Both series of senior perpetual capital securities are listed on the Stock Exchange. Please refer to the announcements of the Company dated 25 January 2019, 26 January, 29 January 2019 and 8 February 2019 for further details of such senior perpetual capital securities including the guarantees in connection therewith. The net proceeds from the issue of these two series of senior perpetual capital securities, after deducting the subscription discounts and commissions and other expenses, were approximately USD395.9 million and USD99 million, respectively. The Company intends to use the net proceeds of the issue of such senior perpetual capital securities to refinance existing indebtedness of the Group and for general working capital purposes.

On 19 March 2019, Greentown Real Estate Group Co. Ltd ("Greentown Real Estate", a wholly-owned subsidiary of the Company), Zhejiang Greentown Lipu Construction Design Co., Ltd. (a non-wholly owned subsidiary of the Company), China First Highway Engineering Co., Ltd. ("China First Highway", a non-wholly owned subsidiary of CCCG and hence a connected person of the Company) and an independent third party were notified of the success of the bid in the tender in involving the survey, design, and construction works in respect of the infrastructure and common facilities on a plot of land located in Xiuying District* (秀英區), Haikou, Hainan. The Group shall be the coordinator and provide project management service for the project. On the same date, Greentown Real Estate entered into an agreement with China First Highway under which Greentown Real Estate shall receive a project management fee totalling RMB76,343,872.5, representing 5% of RMB1,526,877,450, being the amount of the successful bid for the project under the tender. Please refer to the announcement of the Company dated 19 March 2019 for further details of the provision of project management services by Greentown Real Estate.

Biographical Details of Directors and Senior Management

SONG Weiping

Co-Chairman of the Board and Executive Director
Born in June 1958

Mr SONG Weiping founded our Company in January 1995, primarily responsible for the formulation of our development strategies, as well as supervising our project planning, design and marketing. Mr SONG graduated from Hangzhou University with a bachelor's degree in history in 1982. In 2004 and 2005, Mr SONG was honored as one of the Ten Leaders of the Residential Property Sector in Zhejiang awarded jointly by Zhejiang Daily, the China Housing Industry Association and Special Committee of the China Construction Industry Association. In 2004, Mr SONG received the China Construction Architecture Award (Individual Contribution Award). Mr SONG was ranked as one of the "Top Ten Outstanding Real Estate Leaders of New Urbanization" in 2014. He was the vice chairman of the sixth Council of China Real Estate Association, and is serving as the vice chairman of Zhejiang Provincial Real Estate Association. Mr SONG is interested or deemed to be interested in the shares of the Company for the purpose of Part XV of the SFO by holding shares through his controlled corporations, namely Delta House Limited and Hong Kong Orange Osmanthus Foundation Limited. He is also a director of Delta House Limited and Hong Kong Orange Osmanthus Foundation Limited. Mr SONG was redesignated from the chairman of the Board to co-chairman of the Board with effect from 27 March 2015.

LIU Wensheng

Co-Chairman of the Board and Executive Director
Born in August 1960

Mr LIU Wensheng graduated from Dalian Maritime University (formerly known as Dalian Maritime College) with a bachelor's degree in Engineering. He is a senior engineer. Mr LIU has extensive operation management experience, as he served as the deputy general manager of CCCC Tianjin Dredging Co., Ltd. (中交天津航道局有限公司), the vice-chief economist and the general manager of corporate planning of China Harbour Engineering Company Ltd. (中國港灣工程有限責任公司) and the chief economist of CCCG, the secretary of the board of directors, the company secretary and the chief economist of CCCC, the chairman of CCCC International Holding Limited (中交國際(香港)控股有限公司) and Friede Goldman United, Ltd., as well as the director of CCCC Dredging (Group) Holdings Co., Ltd. (中交疏浚(集團)股份有限公司). Mr LIU was appointed as non-executive Director of the Company on 22 June 2015 and he subsequently was redesignated as executive Director of the Company and was appointed as co-chairman of the Board on 15 January 2016.

ZHANG Yadong

Executive Director and Chief Executive Officer
Born in April 1968

Mr ZHANG Yadong joined the Company in May 2018 and serves as the executive Director, Chief Executive Officer and party secretary of the Company, responsible for the overall operation management of Greentown China. Mr ZHANG graduated from Liaoning University (遼寧大學), Dalian Institute of Light Industry (大連輕工業學院), and Xiamen University (廈門大學); he has a doctoral degree. Mr Zhang previously served as the assistant to general manager, deputy general manager and general manager of Dalian Great Automobile Enterprise Group (大連大汽企業集團), assistant director and deputy director of Dalian High-tech Zone Management Committee, deputy party chief and mayor of Pulandian Municipal Committee of Liaoning Province, and deputy party chief of party working committee and deputy director of management committee of Dalian Economic and Technological Development Zone, party chief and head of Dalian Urban Construction Bureau, secretary of the leading party members' group and director of Dalian Construction Committee, deputy mayor of Dalian Municipal Government, member of the standing committee and the head of the United Front Work Department of the Dalian Municipal Committee, director and general manager of China Urban and Rural Construction Development Limited (中國城鄉建設發展有限公司) (a wholly owned subsidiary of CCCG). During his tenure as deputy mayor of Dalian Municipal Government, Mr Zhang was responsible for urban construction and management, including overseeing the Dalian Municipal Land Resources and Housing Bureau, Urban and Rural Construction Committee, Planning Bureau, Urban Construction Administration and other related urban construction departments. Mr Zhang has extensive experience in urban and rural construction and real estate management. Mr ZHANG was appointed as the executive Director and Chief Executive Officer of the Company on 1 August 2018.

LI Qingan

Executive Director
Born in May 1966

Mr LI Qingan graduated from the Department of Management (Engineering and Finance Accounting Profession) of Changsha Communications University (長沙交通學院管理系) with a bachelor's degree in Engineering and Finance Accounting. He is a senior accountant. Mr LI started his career as a financial accountant of the Ministry of Transportation and Communications in July 1989. Mr LI joined China Road Bridge Corp. (CRBC, 中國路橋集團) in September 1998 and has rich experience in finance management. He served as the general manager of finance and accounting department of CRBC, the general manager of finance and accounting department of CCCC, the provisional party secretary and the director of CCCC Finance Company (中交財務公司) as well as the director of CCCG Real Estate Group. Mr LI joined the Company in March 2015. Currently, Mr LI also serves as an executive director of Greentown China, in which he is responsible for the financial and capital management of the Company. Mr LI was appointed as our executive Director on 22 June 2015.

LI Yongqian

Executive Director
Born in November 1974

Mr LI Yongqian graduated from Zhengzhou University (formerly known as Zhengzhou University of Technology) with a bachelor's degree in Architecture. He obtained a master's degree in Business Administration from Beijing Institute of Technology and a doctor's degree in Law from the Central University for Nationalities. He is a senior engineer. Mr LI joined CCCG in January 2014 with rich experience in operation and management. He served as the general manager of the coordination and management department of China State Construction Real Estate Co., Ltd. (中國中建地產有限公司), the deputy general manager of China Hydropower Construction Group Real Estate Co., Ltd. (中國水電建設集團房地產有限公司), the deputy general manager of the real estate division of China Electric Power Construction Group (中國電力建設集團) and the deputy general manager of the real estate division of CCCG as well as the director of CCCG Real Estate Group. Mr LI joined the Company in March 2015. Currently, he serves as an executive director of Greentown China, where he is primarily responsible for the investment management of the Company. Mr LI was appointed as our executive Director on 15 January 2016.

LI Jun

Executive Director
Born in June 1978

Mr LI graduated from Fudan University in the People's Republic of China in July 1999 with a bachelor's degree in Philosophy. He obtained a master's degree in Laws from the University of Sheffield in the United Kingdom in September 2002. Mr Li has rich experience in operation and management. He joined the Group in November 2008 and served as the general manager of the Company's wholly-owned subsidiary Dalian Greentown Real Estate Development Co., Ltd.* (大連綠城房地產開發有限公司) and the North-eastern Region and Beijing Region general manager of Greentown Real Estate as well as the deputy general manager of Greentown Real Estate. Currently, he serves as the assistant president of Greentown China, primarily responsible for the operation management of the Company. Mr LI was appointed as the executive Director of the Company on 6 April 2018.

JIA Shenghua

Independent Non-Executive Director
Born in January 1962

Mr JIA Shenghua is a professor of Zhejiang University and serves as the director of Zhejiang University's Property Research Center. Mr JIA graduated from the Northwest Agricultural University with a doctorate degree in agricultural economics and management. Since 1989, Mr JIA has been teaching and conducting researches in property economics, property development, and enterprise management in China. He furthered his study in Germany from 1993 to 1994. He is currently a member of Zhejiang Enterprises Management Research Society, Zhejiang Land Academy and Hangzhou Land Academy. Mr JIA is also an executive council member of the Global Chinese Real Estate Congress, a presidium member of the China Association of Real Estate Academicians, and a member of the Expert Committee of the China Real Estate Research Association. At present, Mr JIA acts as an independent non-executive director of China Calxon Group Co., Ltd. (stock code: 000918.SZ) and Hangzhou Binjiang Real Estate Group Co., Ltd. (stock code: 002244.SZ), all of which are listed on the Shenzhen Stock Exchange. He also acts as an independent non-executive director of Nacity Property Service Co., Ltd. (stock code: 603506.SH) listed on the Shanghai Stock Exchange. Mr JIA was appointed as our independent non-executive Director on 22 June 2006.

KE Huanzhang

Independent Non-Executive Director
Born in August 1938

Mr KE Huanzhang is currently the chief planning consultant of the Beijing MunicipalInstitute of City Planning and Design(北京市城市規劃設計研究院). Mr KE Huanzhang graduated in 1962 from Southeast University (東南大學) (formerly known as Nanjing Industrial Institute (南京工學院)) and his major was construction. Mr KE has over 40 years of experience in the areas of housing, urban and rural development as well as town planning. From 1979 to 1986, Mr KE served as the deputy division chief and deputy director-general of the Beijing Planning Bureau (北京市規劃局). From September 1986 to March 2001, Mr KE was the dean and a professorate senior urban planner of the Beijing Municipal Institute of City Planning and Design (北京市城市規劃設計研究院). Mr KE was appointed as our independent non-executive Director on 22 June 2009.

SZE Tsai Ping, Michael

Independent Non-Executive Director
Born in June 1945

Mr SZE Tsai Ping, Michael is a fellow of Institute of Chartered Accountants in England and Wales, Hong Kong Institute Certified Public Accountants and Association of Chartered Certified Accountants. Since 2007, Mr SZE has been appointed as an independent non-executive director of Harbour Centre Development Limited (stock code: 00051.HK), and also served as the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of that company. Mr SZE has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) degree from the University of Hong Kong. He was a former member of the Securities and Futures Appeals Tribunal. He was also a former council member and member of the Main Board Listing Committee of the Stock Exchange of Hong Kong Limited. Mr SZE was appointed as our independent non-executive Director on 22 June 2006.

HUI Wan Fai

Independent Non-Executive Director
Born in April 1976

Mr HUI Wan Fai is the managing partner of PAG (formerly known as Pacific Alliance Group). Mr HUI has previously served the Blackstone Group as a managing director. Mr HUI was a managing director of Mellon HBV Alternative Strategies LLC, a New York based hedge fund under Mellon Bank, from 2005 to 2006, where he acted as head of distressed investment for China. Mr HUI obtained a master's degree in Business Administration from INSEAD in 2004 and a master's degree in International and Public Affairs from the University of Hong Kong in 2002. Mr HUI obtained a bachelor's degree in Business Administration from the University of Hong Kong in 1998. Mr HUI holds the qualifications of Certified Public Accountant from the Association of Chartered Certified Accountants, United Kingdom, Chartered Financial Analyst from the CFA Institute, the United States of America and Associate of HKICS from the Hong Kong Institute of Chartered Secretaries, Hong Kong. Mr HUI was appointed as our independent non-executive Director on 1 April 2012.

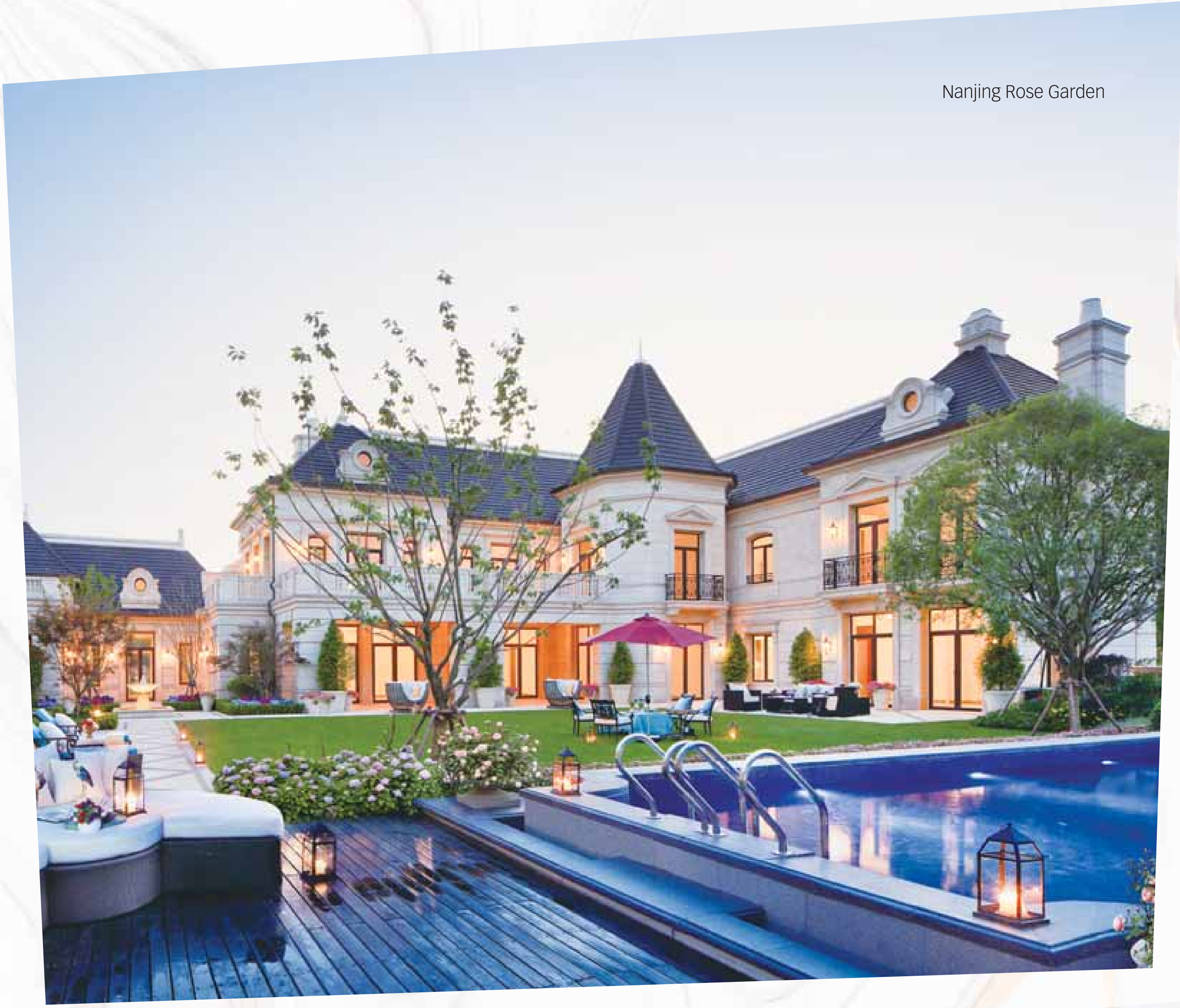
Senior Management

DU Ping, born in December 1970, is currently a vice president of Greentown China. He is primarily responsible for the branding, marketing, customer service of the Group and developing new business sectors such as housing 4S, commercial operation, elderly care service and smart community, which centre on housing and living services. Mr DU graduated from Hangzhou University with a bachelor's degree in Arts. Mr DU began his career in July 1990 and used to work for Hangzhou Daily (杭州日報社) as a reporter, a senior reporter, a chief reporter, the director of sports department, the director of the financial news center, and a member of editorial committee. Mr DU joined the Group on 9 March 2015.

FUNG Ching, Simon, born in February 1969, is the chief financial officer, company secretary and one of the authorised representatives of the Company. Prior to joining the Group in August 2010, Mr FUNG served as the chief financial officer and secretary to the board of directors of Baoye Group Company Limited (寶業集團股份有限公司), a company listed in Hong Kong (stock code: 02355.HK), between 2004 and 2010, and he worked for PricewaterhouseCoopers between 1994 and 2004. Mr FUNG has over 14 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for PRC corporations listed in Hong Kong, and has over 10 years of experience in auditing, accounting and business advisory with a "Big-4" international accounting firm. Mr FUNG graduated from Queensland University of Technology in Australia with a bachelor's degree, majoring in Accountancy. He is a fellow of Hong Kong Institute of Certified Public Accountants and a fellow of the CPA Australia. Mr FUNG is currently an independent non-executive director of Regal International Airport Group Company Limited (瑞港國際機場集團股份有限公司), a company listed in Hong Kong (stock code: 00357.HK). He also serves as a non-executive director of Baoye Group Company Limited. Mr FUNG was appointed as an independent non-executive director of China Logistics Property Holdings Co., Ltd. (中國物流資產控股有限公司) (stock code: 1589. HK) with effect from July 2016.

XIAO Li, born in April 1974, is the assistant president of Greentown China, primarily responsible for the research and development of products, engineering development and cost procurement and collection of the Group. Mr XIAO graduated from Nanjing Construction Engineering College (南京建築工程學院), majoring in industrial and civilian construction. Subsequently, he studied in Zhejiang University, and obtained a master's degree, majoring in business administration. Mr XIAO has over 20 years of work experience in the real estate industry. He started working in 7 July 1996, and worked for Zhejiang Huazhe Industrial Development Company Limited (浙江華浙實業開發有限公司) and Zhejiang Shenghua Real Estate Development Company Limited (浙江升華房地產開發有限公司). Mr XIAO joined the Group in March 2004.

Environmental and Social Responsibility Report


Nanjing Rose Garden

Environmental and Social Responsibility Report

About the Report

Basis of Preparation

It is the third Environmental and Social Responsibility Report (the "Report") published by the Company for the public. The Report discloses the performance of the Group in the environmental and social aspects in 2018. Through this report, we hope that you will understand our efforts better and be willing to feed back your expectations on us, in order to enhance mutual trust.

Scope of the Report

The purpose of the Report is to give a balanced account of the Group's environmental and social policies and performance. Unless otherwise stated, the scope of the Report covers the Company and its subsidiaries for the reporting period from 1 January to 31 December 2018. The content regarding the corporate governance of the Company will be presented separately in the section headed "Corporate Governance Report" in this annual report.

Guidelines of the Report

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "HKEx")and has complied with the provision of "comply or explain".

Declaration of the Report

The Report focuses on process management, emphasizes the importance, substantiality, balance, readability of the contents, and comprehensively introduces the philosophy, actions, effectiveness and commitments of the annual performance. The Board is responsible for the reliability and truthfulness of the information in the Report. We would like to enhance the communication with our stakeholders and display the transparency of the Company through the publication of the Report, as well as to achieve sustainable development in the economic, social and environmental aspects.

1. Superb Quality and Sound Operation

The Corporate Cultural Concept – The product quality of one enterprise matters to its survival and development, that is, leading and improving quality brings about vigour while degenerative quality results in its collapses. We should commit ourself to taking the path of quality unswervingly.

1.1 Quality First

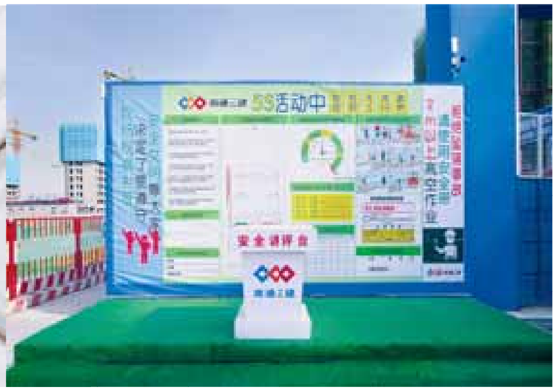
The Group always hopes to create products of good characteristics and high quality by means of inheritance and innovation, so as to build classic works for the cities and enhance urban quality. To this end, in accordance with laws and regulations such as the Product Quality Law of the People's Republic of China and the Urban Real Estate Administration Law of the People's Republic of China, the Group has prepared a series of standards including the Greentown China Quality Red Line Management Standards and the Third Party Engineering Quality Assessment Management Standards to ensure that each project of the Group has a full set of stringent standards in terms of cost, construction process, ancillary facilities and residential technologies, striving to provide safe and healthy products for customers and meet the quality requirements of the Group.

Case: Winning the 2018 Quality Model Award in Real Estate Industry

The 16th China Financial Billboard and the 9th Real Estate Finance Innovation Summit with "capital energizing high quality development" as the theme were hosted by hexun.com on 6 December 2018. At the summit, the Group was honored the "2018 Quality Model Award in Real Estate Industry" for its pursuit of quality and control on details.

1.1.1 Engineering quality management

In order to achieve standardization and visualization of engineering quality management and contribute to the implementation of the "Comprehensive Quality Governance" strategy of the Group, Greentown China has absorbed the engineering management concepts in Japan and implemented the Japanese style engineering management in light of the actual management and control situation of projects in China. Through unified tooling, visual management, conference system, cleaning workplace after completing works, site standardization and etc., the Group further ensures reliable site quality, controllable progress and safe working, so as to achieve the goal of improving both quality and efficiency.



1.1.2 Quality supervision system

In terms of quality supervision, the Group has invited third-party organizations to carry out on-site inspection without notice, conducting quality assessments on product quality, security and civilization, management and control materials, sample management, anti-leakage management and red-line control, in order to build a multi-perspective and all-round quality supervision system. In addition, the Group also organized nationwide joint quality inspections. The joint inspections lasted for more than one month and covered a total of 47 projects nationwide, which have deeply examined the quality of projects.

Case: Organizing and Holding a Briefing on the Joint Product-quality Inspection

On 2 November 2018, Greentown China organized and held a briefing on the joint product-quality inspection, more than 300 people including management team of the Group and respective subsidiaries and product managers attended.

At the meeting, He Xinnan, general manager of Greentown China Product Management Center, made a special report on the joint product-quality inspection, indicating that product quality was the foundation and core competitiveness of the Group, and the product system would draw lessons to improve the system and enhance pre-control after this inspection, laying a good foundation for more effective systematized and normalized quality control in the future.

Zhang Yadong, Chief Executive Officer of Greentown China, highly praised the achievement of this inspection, and also made arrangement for the subsequent work. He expected the product system would continue to carry pioneering spirits and further strengthen and solidify the product-oriented concept in the management and control system, so as to establish the core status of the product-oriented concept and lead and drive the quality and rapid development of the entire Company.

1.2 Customer First

1.2.1 Abundant communication channels

The Group actively explores communication channels with customers, and relies on channels such as the open days of construction sites, official radio stations and satisfaction surveys to provide information regarding the production and operation, development and changes as well as important activities of the Group in a timely and accurate manner, constantly strengthening customers' confidence in the product quality of the Group.

Case: The 6th "Open Day of Construction Sites Across the Country" was Initiated by Greentown Management

On 13 October 2018, the 6th "Open Day of Construction Sites across the Country" of Greentown Management was officially initiated in Hangzhou. In the following month, Greentown Management held open days of construction sites across the country and invited representatives of various parties including household owners to review and exchange ideas.

Li Jun, general manager of Greentown Management, said that "both the open days of construction sites and the Green Star Standard aim for building the trust system. A complete trust system is the basic solution to problems such as housing security. In any market environment, companies must stick to their original aspiration and quality, striving to become a service company that can be trusted by all walks of life including household owners and consignors."

1.2.2 Innovative service concepts

Quality is the cornerstone while service is the guarantee. The Group has always believed that the cornerstone of the enterprise' foundation and development is to show goodwill and respect to customers and to stick to its original aspiration. In view of the possible risk of receiving complaints about products and services, the Group has also formulated a series of management policies and standards, such as Greentown China Basic Norms on Handling Customer Complaint, Greentown China Accountability System of Handling Customer Complaints and Greentown China Inspection Standards of Customer Complaint Risks.

In order to continuously enrich, improve and enhance the contents and standards of the beautiful lives so as to bring a better life to customers with better products and services, the Group further enhances the quality control in the area where customers care most, clearly defining violation or omission behaviors that may cause serious quality and safety hazard or induce a complaint, and putting a price on it. Meanwhile, the Group determines the duties, procedures and accountability mechanisms when handling a customer complaint in each level, to ensure that customer complaints can be handled timely and effectively. During the Year, 9 major customer complaints occurred, down 23.7% year-on-year, and the response completion rate to customer complaints was 95.1%, up 3% year-on-year.

Case: The 9th Customer Quality Supervision Group Meeting was Successfully Held

On 25 March 2018, Greentown China's 9th Customer Quality Supervision Group meeting was held in Hangzhou. The senior management of Greentown China and representatives of customer supervisors from all over the country attended the meeting.

In order to follow the strategic development, Greentown China established seven customer quality supervision groups in various sub-groups and regions in 2018, and formulated the joint-leader system to help improve its product and service quality.

1.3 Integrity and Compliance

1.3.1 Advocating integrity

The Group is deeply aware of the importance of integrity to the continued expansion and healthy and long-term development of an enterprise. To this end, the Group actively advocates integrity and resolutely resists any behaviors that do not comply with laws and regulations, requiring that it should keep the compliance bottom line in both product promotion and customer privacy protection to achieve long term development with integrity.

Product Promotion

In order to continuously improve product promotion and sales activities, the Group has kept promoting the standardization of the management systems. In addition to compliance with laws and regulations such as the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Regulations on Advertising Management, and the Regulations on Real Estate Advertisements, it further formulated the Guidelines for Compliant Advertising and Promotion, clearly stipulating that the sales pitches and advertisements on the brochure within the scope of development specifications in the sales promotion must be strictly verified in advance and do not deceive or mislead customers through false or misleading contents, in order to effectively strengthen the acknowledgement and prevention awareness of advertising and sales legal risks, and to maintain brand value.

Customer Privacy

The Group actively complies with the requirement of laws and regulations such as the Internet Security Law of the People's Republic of China, and strictly stipulates that information collected from customers can only be used for business development and customer relationship management and shall not be used by anyone beyond the prescribed scope of use. It also strengthens network security checks through safe and stable system security measures to ensure the safety of customers' information.

1.3.2 Building a solid sense of integrity

The Group strictly complies with the Company Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China and other regulations on preventing bribery, extortion, fraud and money laundering, and has formulated the Management Standards of Supervision Work of Greentown China and the Integrity and Self-discipline Standards for Staff and the Measures of Suspension for Inspection and other policies to regulate integrity and self-discipline of staff and improve the corporate governance.

In order to give more play to the role of public supervision and carry out reasonable and proper rewards and punishments, the Group has established a working system of rewarding reporting, integrity interview and blacklist mechanism, requiring anyone who knows about any integrity related issues involved by all employees be responsible for reporting, and he/she will be given a material reward as long as the situation is proved to be true after comprehensively taking into consideration the nature and consequence of the issue and the importance of the reporting clue. The Group has not received any legal proceedings concerning bribery, extortion, fraud and money-laundering for the current year.

Case: Carrying out a Series of Integrity Education Events
To promote the education of Party integrity and clean government and raise awareness of preventing integrity risks, the Group launched an anti-corruption promotion and education campaign in November 2018, setting up a special column on the Party Member Forum to educate through corruption cases. It also took more steps to foster a clean working environment by holding special training with "Integrity Building" as the theme.

2. Complementary Advantages for Win-win Cooperation

The Corporate Cultural Concept – We meet for integrity and cooperate for the common goal

2.1 Regulating Procurement

In order to fully standardize the procurement of the Group and improve procurement efficiency, Greentown China has further amended standards on procurement management during the year, e.g., formulating the Management Standards on Procurement of Materials and Equipment (GTH7110-2018) to replace the previous Greentown China Management Standards on Procurement of Materials and Equipment (GTH7110-2017); the Management Standards on Strategic Suppliers of Materials and Equipment (GTH7111-2018) to replace the previous Greentown China Management Standards on Strategic Suppliers of Materials and Equipment (GTH7111-2017); and the Management Standards on Centralized Procurement of Materials and Equipment (GTH7112-2018) to replace the previous Greentown China Management Standards on centralized procurement of Materials and Equipment (GTH7112-2017). These amendments have further laid a solid institutional foundation for safeguarding a fair and open procurement environment.

In addition, as a responsible real estate enterprise, the Group actively calls on upstream and downstream supply partners to jointly perform social responsibilities by further advising and requiring them to undertake associated responsibilities, for instance, the recycling of waste in construction sites, the control and management of waste gas and wastewater, etc. to make the best efforts to reduce environmental and social risks in each process of the supply chain.

Materials procurement models of the Group comprise of strategic centralized procurement, regional centralized procurement and project-based decentralized procurement, depending on the procurement subject, spending value of materials and level of risk. All materials procurement through bidding and price comparison must be carried out on the transparent bidding and procurement platform (http://zc.gtcloud.cn), and non-bidding procurement of various materials must be approved under applicable approval authority as the Group prohibits any procurement without approval. Any bidding and procurement staff being suspected of committing business bribery and seriously violating any company disciplines, if verified by the supervision department after investigation of relevant facts, will be warned or dismissed by human resources department, and the responsible person of his/her department should take the responsibility of weak leadership and failure in monitoring.

Strategic Centralized Procurement	refers to a systematic and data-based procurement method that improves the purchasing bargaining capability of enterprises through standardized and centralized procument of products to reduce the total cost of the entire supply chain and enhance project procument efficiency.
Regional Centralized Procurement	refers to product categories other than those involved in Greentown China's strategic centralized procurement, including those in the regional scope of subsidiaries with adequate market resources, regional strength and more applicable techonology, which are procured by subsidiaries through centralized procurement within a certain area by dertermining the winning bidder and the bid-winning price.
Project-based Decentralized Procurement	the procurement of project materials other than the strategic centralized procurement and regional centralized procurement is called the decentralized procurement, which is usually operated directly by the project company or subsidiary.

Chart: Materials Procurement Models of Greentown China

In order to monitor and ensure the service quality of strategic centralized procurement suppliers ("Strategic Supplier(s)"), in November each year, the Product Management Center of the Group will issue a special notice on the annual comprehensive assessment of Strategic Suppliers and organize departments at all levels to implement such assessment. Each project must complete the Materials and Equipment Supplier Performance Evaluation Form of each category in strict accordance with requirements set out in the notice, and report to the product center of respective subsidiary within 7 working days after the approval by the approval authority. The subsidiary's product center will summarize the forms and submit to the Product Management Center. The Product Management Center will complete the determination of Strategic Suppliers' grading based on the annual comprehensive evaluation scores and grading standards of Strategic Suppliers at the end of December each year, and publish the evaluation results on the OA/ERP office platform in January to February in the coming year.

Case: Greentown China Suppliers Meeting 2018

On 19 January 2018, Greentown China Suppliers Meeting 2018 was successfully held, attracting over 300 responsible persons of partners from all over the country to attend. At the meeting, Greentown China awarded medals to 27 excellent supplier partners and 3 strategic supervisory units, and also awarded medals and bonuses to units performing well in the process evaluation of fine decoration and general contractors.

The general manager of Greentown China Product Center expressed gratitude to the suppliers for their long-term support to the Group and stressed that quality is the foundation for an enterprise to develop. The Group would further optimize the transparent bidding and procurement system, foster strategic partnerships, and vigorously enhance the standardization, industrialization, digitalization and eco-friendliness of products so as to make unremitting efforts to establish its reputable brand of product quality.

2.2 Mutual Development

During the year, the Group continued to make breakthroughs in the expansion of external resources. It currently has established win-win cooperation relationship with certain well-known scientific research institutions such as China Academy of Building Research, China Institute of Building Standard Design & Research Co. Ltd, China Building Materials Academy, and has also established partnership with outstanding enterprises such as China Construction Science & Technology Co., Ltd., Huawei Technologies Co., Ltd., Alibaba Network Technology Co., Ltd. and Midea Group. Such cross-border cooperation and active exchange are not only conducive to the Group's exploration of new materials and new technologies, but also provide insights for product iteration and innovation.

In the future, Greentown China will continue to establish extensive win-win cooperation with well-known research institutions and outstanding enterprises. While improving the quality of its real estate projects, technological progress and efficiency, the Group will cultivate its own capabilities and create new opportunities for development and explore new business models.

Case: Greentown China Joins Hands with China Academy of Building Research to Build a Technological Architecture and Intelligent Life

On 25 July 2018, the signing ceremony of the strategic cooperation between Greentown China and China Academy of Building Research was held in Hangzhou. This cooperation was based on the common development philosophy, similar development context and extensive cooperation space, and both parties hoped to give full play to their respective advantages to facilitate the scientific and technological progress of China's construction undertaking.

In order to continuously promote the implementation of such project, the parties will adopt the "1+N" cooperation mode, rely on the second-level executive units and deploy different innovation platforms to fully mobilize resources. For the renovation work of existing buildings, China Academy of Building Research will set up a working group to conduct full investigation and research of communities of different ages, sort out the needs of community renovation in batches, and tease out the typical renovation demonstration templates in the community by using BIM technology, green building and healthy building systems in order to upgrade the safety and functionality of community. In this way, a set of existing building renovation system standards exclusive to products of the Group will be established, and exports to the existing communities of other real estate companies with standardized technology, products and engineering. For testing centers, the parties gradually replace testing with certification through process supervision, building materials acceptance, joint acceptance certification and introduction of a two-track supervision system, and set up the certification standards in the end, providing strong support for the implementation of development strategies and rapid development of the Group at the new stage.

Case: Greentown Construction Technology Co., Ltd. Reached Strategic Cooperation with YKKAP China

On 24 December 2018, Greentown Construction Technology Co., Ltd. reached strategic cooperation with YKKAP China. Both parties discussed and exchanged ideas on such topics as "Beautiful Buildings and Wonderful Life" and "Providing a Better Living Environment for Consumers" and matters related to in-depth cooperation.

The strategic cooperation meant that both parties were sharing common goals and new development directions. Both parties would, in line with the principle of "win-win cooperation", deeply optimize the cooperation models and contents, and actively explore development directions and paths, striving to achieve the development goal of superimposing advantages and complementary resources.

3. Talents Matter the Most in Pursuing Our Dreams

The Corporate Cultural Concept – Employees are the very first products of one enterprise; promoting the growth of employees is the reason for one enterprise's existence; and cultivating excellent employees is the primary goal of one enterprise's business operations.

3.1 Safeguarding Employees' Rights and Interests

On matters relating to recruitment, dismissal, remuneration, promotion, working hours, holidays, equal opportunities, diversity and anti-discrimination, the Group strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations, and by pursuing the United Nation's Universal Declaration of Human Rights and the International Labor Organization's purposes on the fundamental principles and rights at work, the Group respects human rights, prohibits child labor and forced labor, and opposes the discrimination in any form. Through the establishment of detailed internal systems and the building of communication channels for employees, the Group actively protects the rights and interests of employees, and strive to create an energetic, warm and fair working environment for employees.

In terms of talent recruitment, the Group continued to expand recruitment channels in an effort to attract outstanding talents from different markets. For instance, the Group had set up the Greentown campus pre-recruitment plan – the "Fellow Club", through which, a communication bridge between enterprises and universities had been built to carry out brand communication of employers and help enterprises to source outstanding students in advance. During the year of 2018, the Group had successively completed the opening ceremony of the fellow clubs in Zhejiang University, Zhejiang University of Technology, Southeast University, Huazhong University of Science and Technology, Shandong Jianzhu University, Chongqing University, Tianjin University, Xi'an University of Architecture and Technology, South China University of Technology, and Tongji University.

Case: "Fellow Club" Campus Recruitment

The Greentown China 2019 Fellowship Campus Presentation Event was held on 10 October 2018 at Zhejiang University. Such event was held both online and offline, attracting more than 600 student participants and over 35,000 online viewers.

The campus recruitment event carried out precise publicity in the target universities and received a total of 16,000 resumes, and the percentage of applicants with master's degree or above and from 985/211 and overseas famous universities was 72% and over 60%, respectively.

In order to provide employees with market-competitive salaries so as to attract, motivate and retain talents, the Group's remuneration system consists of fixed remuneration, floating compensation, allowances and benefits and others. Fixed remuneration is an important component of employees' total cash remuneration. The Group assesses the market trend in various regions in real time to maintain its competitiveness in terms of remuneration. Floating compensation includes short-term, medium-term and long-term incentives. In which, the short-term and medium-term incentive schemes are adopted to reward employees based on the overall performance of the Group or their teams as well as recognize their individual performance and potential; while the long-term incentive plan is adopted to share the Group's operating benefits with employees.

In addition, the Group has provided a variety of competitive extra benefits, including transportation subsidies, communication subsidies, holiday and festival subsidies, meal subsidies, health management plan for employees and their families, supplementary commercial insurance, condolences payment and congratulation payment, etc. Employees work from Monday to Friday, and enjoy statutory holidays and public holidays, legal annual leave, marriage leave, maternity leave, bereavement leave and so on.

Case: Convening "1st May" Staff Forum for the Year of 2018

On 8 May 2018, Greentown China 20th staff forum was held in Hangzhou., More than 110 representatives from Greentown China and its subsidiaries attended the meeting, in which the frontline staff accounted for over 40%.

In this forum, staff representatives shared the proposals of "devoting myself to Greentown's achievements (我為綠城添光彩)", which involved programs of enterprise culture, staff's honor and platform construction. In particular, the proposals included Mechanism on Promotion of "White List for Brands" of Greentown (《關於推進綠城「品牌白名單」機制》), Inheritance of Craftsman Spirit and Benefit from Kindred Spirit (《匠心傳承同道相益》), Inheriting Greentown's Enterprise Culture to Enhance Staff's Sense of Honor (《傳承綠城企業文化提升員工榮譽感》), Greentown China's Industry Investment Linkage Mechanism (《綠城中國產業投資聯動機制》), Cultivating Culture in the Land of Service (《在服務的土壤中播種文化》) and Greentown Street · Public-created Platform for Public Use (《綠城好街 · 眾創共用平台》).

The continuous growth and improvement of the staff team is the only prime impetus for an enterprise's reform, innovation and development. The Group's further care and support will provide the staff a sense of gaining and value to inherit our corporate culture, achieving the common growth and progress of the staff and the Group.

3.2 Valuing Employees' Health

In order to create a safe and protected working environment, the Group actively complies with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other related laws. While promoting the win-win concept of "live healthily and work happily", the Group also creates a healthy occupational environment and atmosphere for the employees, such as conducting psychological tutoring communication, psychological counseling, running and physical exercise and other activities, so as to enrich the spare-time life of the employees and promote the healthy development of the employees' physical and mental health.

Case: Holding the "Who is Fighting Forward" Mid-Autumn Festival Fun Games in 2018

On 19 September 2018, the Mid-Autumn Festival Fun Games of Greentown China "Who is Fighting Forward" was successfully held. The Games were diverse in form and rich in content, including a single-scoring flat-panel support competition, as well as team-scoring fun sports games consisting of three-leg running, juggling ball with drumming and tug of war.

In the competition, the athletes joined the teams by company with uniform dress, showing the team spirit of never giving up with enthusiasm, vigour and a positive style. This was not only a sports event of Greentown China, but also a stage for all employees to show their spiritual outlook. The people of Greentown considered it as an opportunity to continuously enhance cohesiveness, centripetal force and creativity, which would inject strength into the sustainable development of Greentown China.

3.3 Facilitating Employees' Development

Cultivating talents and creating outstanding employees are the primary objectives of the Group's internal operations. On 2 November 2018, Greentown University was established. It is not only the need for strategic upgrading and development of the enterprise, but also the need for capacity improvement and cultural heritage. Greentown University consists of the organizations such as the Department of Education, Department of Teaching and Research, as well as the Institute of Party Building, Leadership Institute, Product Institute, Ling Yi (零壹) Institute, Management Institute, Finance and Economics Institute and Business Administration Institute, which are focused on the cultivation of party members and cadres, leadership, talents in product, service, finance and other professional personnel, and committed to improving and enhancing the comprehensive strength of Greentown University in all aspects.

Case: First Lesson in Greentown University – Corporate Culture

On 2 November 2018, the opening ceremony of Greentown University was officially held at Hangzhou Greentown Xixi International Business Center. Mr SONG Weiping, the founder of Greentown China, gave the first lesson to Greentown University as the honorary president and specially-appointed professor of Greentown University.

In this lesson, Mr SONG Weiping said that the traditional employment relationship has lagged behind, and an enterprise could achieve its basic value only under the promotion of long-term effective partnership mechanism, and then could make further achievement with an enhance in value. Greentown China is a value-oriented company, hoping that all colleagues will adhere to their dreams by keeping learning and practicing, and persisting in making progress to make personal work as exquisite and perfect as possible. This is believed to be the only choice for the development of an enterprise.

At the same time, the Group has also established the hierarchical classification system of training and development based on our employees' life cycle, which enables new employees to accept full-range and matrix training and ensure that our employees in different stages of career development are provided with corresponding training programs for their growth. In order to remove obstacles from the promotion and development of employees, the Group carries out a dual-channel development path of management sequence and professional sequence, and supports employees in developing themselves to be excellent and influential senior management and professional talents in the industry through policies and initiatives such as mentor system, rotation system, internal talent flow, harvest plan and echelon selection.

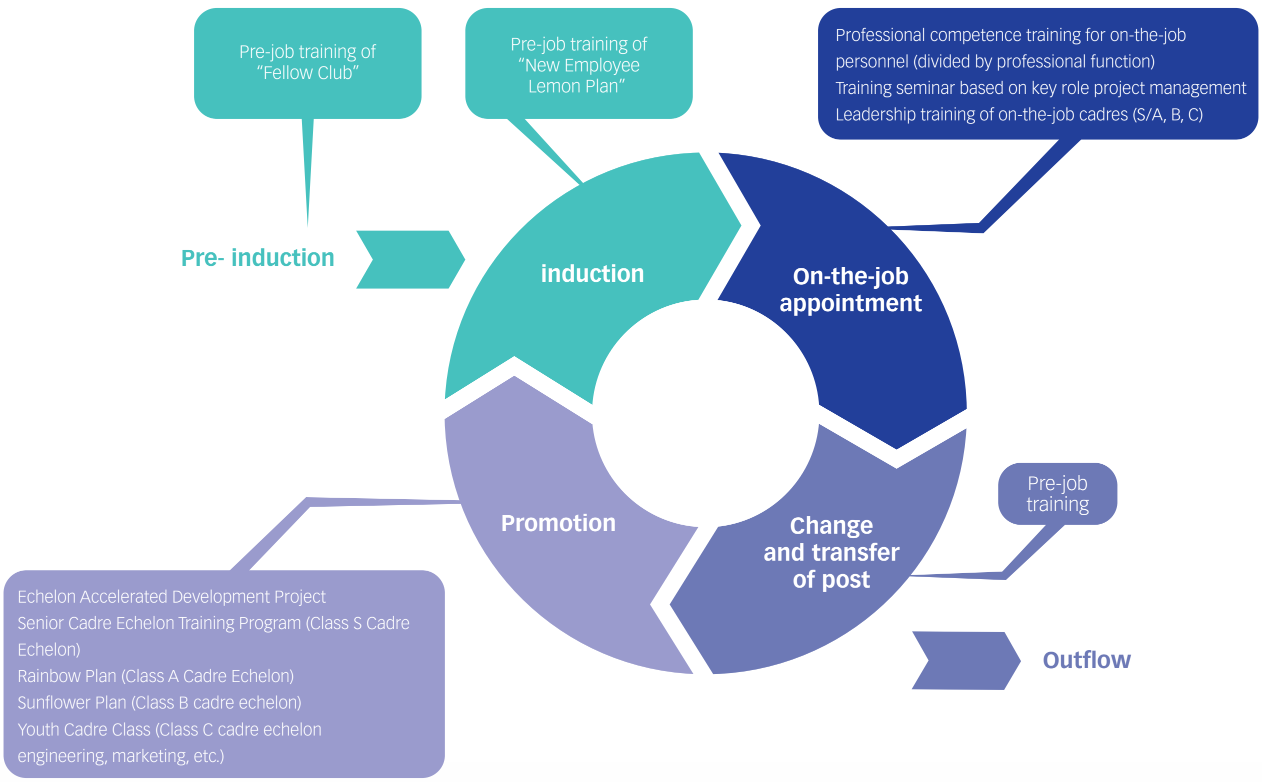


Chart: System of Training and Development Based on Our Employees' Life Cycle

Sharing of Key Training Programs

① Business College Project

The "Business College Project" is a development program of the highest level of the Group, aiming to cultivate strategic management cadres. On 27 September 2018, the opening ceremony of mini-MBA of "Business College Project" of Greentown China was held at the Shanghai Campus of CEIBS, in which 39 core management cadres from the headquarter of Greentown China and various subsidiaries participated. This training program lasts for one year. With the theme of "Engergization, Fusion, Transcendence", in virtue of CEIBS's top global thinking and teaching resources, the program will build a platform for senior management of the Company to exchange their learnings and thoughts, and in turn to expand their ideas and inspire thinking, so as to provide intellectual supports for the steady growth of Greentown China.

② Sunlight Program

The Greentown China 2018 "Sunlight Program" training class for general management of city-based subsidiaries started on 23 July 2018. The "Sunlight Program" project was a plan formulated in the light of the strategic needs of the cooperate all-round talents management and the business layout of city companies, with an aim to cultivate the overall leadership of the future general management of city companies. This training focused on three parts, namely strategic thinking, guiding business and professional ability. By adopting the training-acting-teaching (TAT model) as the core method, it closely integrated the three roles played by the manager in the learning process with the design of learning activities, enabling the trainees to transform their concept and percept from "focusing on development and management" to "perspective of diversified investments" and hence further ensuring the planning and implementation of the Company's strategies.

③ Rainbow Program

The "Rainbow Program" was a strategical talents project to nurture project general managers, and had been playing an essential screening and supporting role in the nurturing of talents for key positions in Greentown China. The fourth session and fifth session of the "Rainbow Program" opened successively in 2018 with 99 trainees from various departments of Greentown China participating. The Group adopted the four-in-one mix-training method comprised of "centralized training + operation learning + in-service practice + internship" to continuously improve the trainees' the leadership, operation ability and management ability.

④ Sunflower Program

The "Sunflower Program" was a training and development project launched for the project directors, aiming to help project companies with setting up their leading teams of operation and reserving middle-class cadres for the rapid development of the Company. In 2018 the Group held four sessions of the "Sunflower Program" with a total of 220 trainees. Such plan focused on the training on "broadening minds, managing business and managing others", in an effort to help managers reserve knowledge and skills in advance so as to cope with challenges lying ahead.

4. Embracing Green and Scientific Development

The Corporate Cultural Concept – Ecology and civilization coexist.

4.1 Advocating Green Operation

The Group concerns itself with global climate change and actively implements relevant requirements on constructing ecological civilization set out in the report of 19th CPC National Congress. In respect of issues such as climate change and environment protection, the Group has strictly complied with laws and regulations and relevant industry standards including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Environmental Impact Assessment, the Decision of the State Council on Implementing the Scientific Outlook on Development and Strengthening Environmental Protection, the Administrative Measures for the Environmental Protection Acceptance of Completed Construction Projects and the Administrative Measures for the Collection and Utilization of Funds for the Disposal of Discarded Electrical and Electronic Products, and also formulated a series of environment management policies such as the Notice on the Standardized Management of the Company, so as to advocate green operation.

In order to reduce the impact of greenhouse gas emissions during the operation process on the environment and natural resources, the Group not only encourages our staff to take public transportation and cuts down unnecessary business trips, but also actively holds energy-saving promotional activities. The Group cleans and maintains lightings and air conditioners on a regular basis (at least twice a year) to ensure their effective operation and requires our staff to turn off all of the electric equipment when leaving office. It also strictly controls the use of air conditioners, such as turning off the air conditioners timely when there is nobody in the office for a prolonged period of time and only turning on the air conditioners in the event of specified temperatures except for special circumstances. Specifically, in the summertime,the air conditioners can only be turned on for the cooling purpose when the indoor temperature is above 30°C and the cooling temperature should not be set below 26°C in principle; and in the wintertime, the air conditioners can only be turned on for the heating purpose when the outdoor temperature is below 15°C and the heating temperature should not be set above 20°C in principle. In 2018, the Group's total greenhouse gas emission was 12,940 metric tonnes, and the total greenhouse gas emission density was 0.14 metric tonnes per sqm GFA.

Greenhouse gas emission (scope 1 and scope 2)	2018[1]	2017	Unit
Vehicle emission (scope 1)	1,083[2]	3,063	metric tonnes
Diesel generator emission (scope 1)	0	0.55	metric tonnes
Greenhouse gas offsetting by trees (scope 1)	–5.41[3]	–379.45	metric tonnes
Electricity consumption emission (scope 2)	11,862[4]	16,000	metric tonnes
Total greenhouse gas emission	12,940	18,685	metric tonnes
Total greenhouse emission density	0.14[5]	0.21	metric tonnes/sqm GFA

Air pollutant emission from vehicles	2018	2017	Unit
CO emission	9,621	21,842	kg
NO_x emission	2,382	13,454	kg
SO_x emission	6.87	20.83	kg
$PM_{2.5}$ emission	90	424	kg
PM_{10} emission	99	469	kg

1 During the year, the environmental statistics of the Group mainly included a total of 41 companies, consisting of the headquarter of Greentown China and the headquarters of each subsidiary and its respective project companies. Given the characteristics of the real estate industry as well as the progress of development and completion of the Company's projects, the number of projects included in the environmental statistics for the year has decreased accordingly as compared with 2017. In this section, if there is no specific explanation on the scope of statistics, the statistical subjects represent the environmental statistical information of the 41 companies mentioned above.

2 The calculation of greenhouse gas emissions of automobiles is based on the "Guidelines for Air Pollutant Emission for Motor Vehicles (Trial)".

3 The emission reduction factors of trees were based on the factors set out in Reporting Guidance on Environmental KPIs in Appendix II to How to Prepare an ESG Report.

4 The greenhouse gas emission factors from externally-purchased electricity were calculated with reference to the 2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor published by National Development and Reform Commission of the PRC.

5 The denominators used for calculation of greenhouse gas emission density were the office area included in the Company's environmental statistics.

Apart from energy utilization, the major impacts on the environment and natural resources incurred in the process of our daily operation mainly come from the utilization of water resources, consumption of office supplies and etc. In terms of water conservation and management of hazardous waste and non-hazardous waste, the Group implements a series of environmental measures at office.

The measures for water conservation

- Posting water-saving slogans
- Applying water-saving equipment

The management measures for hazardous/non-hazardous waste

- encouraging our employees to communicate by electronic means (e.g. by email) to reduce paper consumption
- encouraging duplex printing
- Posting labels near printers and photocopiers to remind employees to reduce paper consumption
- Reducing bottled water consumption in internal meetings and advocating using employees' own cups
- Using rechargeable batteries instead of disposable batteries
- Recycling toner cartridges at least twice by adding powder; classifying the hazardous waste such as batteries and ink cartridges for the recycle and disposal of professional waste collectors

Data of resources consumption of the Group:

Resources consumption	2018	2017	Unit
Total electricity consumption	**16,742,268**	22,181,221	kWh
Electricity consumption intensity	**178**	244	kWh/sqm GFA
Total fuel consumption (vehicle petrol)	**409,565**	1,139,084	litre
Fuel consumption intensity (vehicle petrol)	**2,660**	4,766	litres/per vehicle
Total fuel consumption (vehicle diesel oil)	**45,418**	104,645	litre
Fuel consumption intensity (vehicle diesel oil)	**4,129**	5,232	litres/per vehicle
Total fuel consumption (vehicle liquefied natural gas)	**0**	36,000	litre
Fuel consumption intensity (vehicle liquefied natural gas)	**0**	36,000	litres/per vehicle
Total fuel consumption (vehicle ethanol gasoline)	**260**	0	litre
Fuel consumption intensity (vehicle ethanol gasoline)	**260**	0	litres/per vehicle
Total water consumption	**1,108,315**	1,398,777	metric tonnes
Total water consumption intensity	**12**	15	metric tonnes/sqm GFA

Data of Hazardous and Non-hazardous Waste Emission of the Group:

Major types of hazardous waste	2018	2017	Unit
Disposal of Fluorescent light tube	**1,370**	2,597	piece
Disposal of Waste battery	**303**	555	kg
Disposal of Ink cartridge	**1,265**	1,186	piece
Disposal of Waste liquid after facilities maintenance	**21**	104	litre

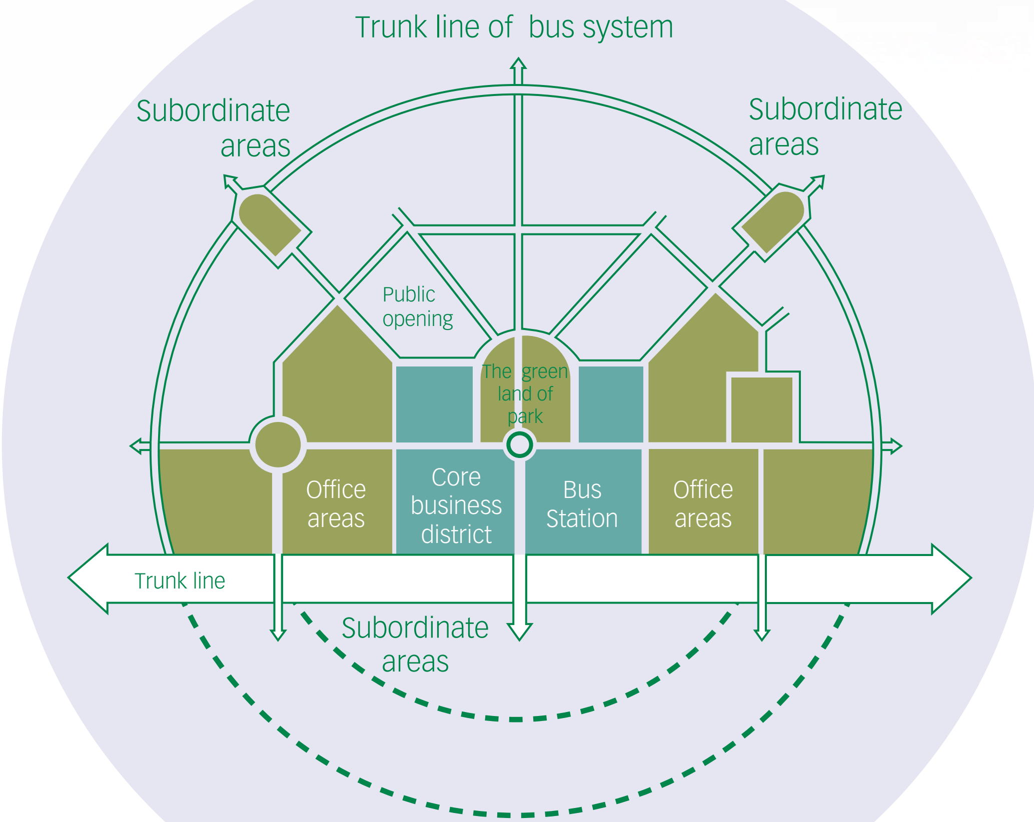
Major types of non-hazardous waste	2018	2017	Unit
Paper waste	**27,016**	68,324	kg
Paper waste intensity	**0.29**	0.75	kg/sqm GFA
Paper recycling	**9,991**	31,032	kg
Metal waste	**117**	428.75	kg
Metal waste intensity	**0.001**	0.005	kg/sqm GFA
Metal recycling	**30**	199,355	kg
Plastic waste	**821**	352	kg
Plastic waste intensity	**0.009**	0.004	kg/sqm GFA
Plastic recycling	**140**	394	kg
Glass waste	**145**	217	kg
Glass waste intensity	**0.002**	0.002	kg/sqm GFA
Glass recycling	**17**	45.77	kg

4.2 Promoting Intelligent Building

If green is the essence of sustainable urban development and intelligence is the brain guiding the urban development, the green and intelligent construction should be the backbone supporting the future urban ecology. As a representative of mixed-ownership reform enterprises, the Group is actively protecting the ecological environment and practising green development. Nowadays, for the large and medium-size cities in the world, the metro rail transit has become an important way to mitigate urban traffic congestion and advocate energy saving and green travel. The Group is actively carrying out the business layout based on the rail transit all around the country. This is not only a powerful solution to break the bottleneck of land resources, but also a major measure to follow the development trend of urban mega rail transit.

Under the Transit-oriented Development (TOD) model of "Railway + Property", a cluster of properties comprised of commercial buildings, office buildings, cultural and educational buildings, recreational buildings and residential buildings will be mainly formed in a 800-meter radius of the urban rail transit with the metro at its core, with a view to realizing urban design for public transportation, expanding citizens' living sphere, enhancing citizens' travel quality, and activating the economic and social development vitality in the region.

As of this year, the Group has successfully put into practice several TOD projects including Hangzhou Young City, Ningbo Young City, Hangzhou Phoenix Mansion, Hangzhou Center, Ningbo Center, and Qingdao Deep Blue Center. With the complement of benchmarking projects above, the TOD model of "Railway + Property" of the Group will provide a TOD comprehensive solution which is professional, safe, green and smart for the urban development.



Schematic diagram of TOD model planning

Case: Greentown China was Conferred Five Awards in Green Construction

On 28 June 2018, the 2018 Development Report Conference of China Green Real Estate and the 2018 China Green and Intelligent Real Estate Forum organized by China Real Estate Association and Globe Biweeky, Outlook Weekly of Xinhua News Agency and Liaowang Institute and udertaken by Green Ranking was held in Beijing.

In this campaign, Greentown China won five awards including "2018 China Green Real Estate Top 10", "2018 China Full Renovation Enterprise Top 10" and "2018 China Green Real Estate (Residential) Top 10".

5. Caring about Public Welfare and Benefiting Community

The Corporate Cultural Concept – The development hope of one country, enterprise or individual lies in its/his/her morality.

5.1 Public Welfare and Charity

Since its inception date, the Group has recognizing the responsibilities of "an excellent corporate citizen" as its development foundation and paying close attention to the development and changes in Chinese society. It deems the participation in public welfare as the smartest way to spend money, committing to inheriting the most glorious spirits of public welfare. While developing its own business, the Group has always promoted the improvement of people's livelihood and economic development by carrying out lots of activities to build a harmonious community, in hope of constantly making a contribution to the social development with its efforts.

Case: Being Conferred the "Golden Horse Award in Chinese Securities Market • Public Welfare Pioneer of Most Responsible Listed Companies"

On 28 December 2018, the second session of New Era Capital Forum was held in Shangri-La Hotel, Beijing, and the regulatory authorities, experts, scholars and representatives from all walks of life were invited to discuss the development strategies for the capital market in the new era.

The "Golden Horse Award" is dedicated to companies and individuals who have a profound influence on the capital market in China, and its subordinate award of the "Public Welfare Pioneer of Most Responsible Listed Companies", is to recognize outstanding enterprises that have continuously fulfilled their social responsibilities for the capital market in the new era, setting strict requirements for candidates' reputation, performance of public welfare and corporate culture. Greentown China was conferred the "Golden Horse Award in Chinese Securities Market • Public Welfare Pioneer of Most Responsible Listed Companies" for its high-quality products and services and a strong sense of social responsibilities.

Education is the foundation of long-term development. The Group attaches importance to the development of education undertaking. Not only does the Group sponsor the students from Zhejiang University and Zhejiang Normal University, but also is committed to investing in schools. In 2002, the Group established the "Greentown's Education Funds for University Students" with the Youth Development Foundation of Zhenjiang Province, which had been operating over 17 years to date. By the end of November 2018, the Group sponsored a cumulative number of nearly 1,000 students from Zhejiang Normal University with an amount of over RMB7 million.

5.2 Community Services

The Group has always believed that "charming architecture is the best space for the living; delightful life is the divine place for souls". In 2007, the Group first launched the service system for community life, which has been in place for 11 years to date. The service system for community life is an active response to the construction of harmonious society and has shifted the focal point of service from properties to humans. The Group hopes that the service system for community life can improve the overall urban living services, life quality and living environment in the future so as to make a real difference to everyone's expressions and compassion and hence enhance the social civilization.

Service system for community life

Neighborhood Series	As one of the key brand activities for elaborately creating neighbourhood culture in the community, the "Neighborhood Festival" is based on the "Neighborhood Dating" (鄰里之約) and relies on the participation and support of volunteers and various organizations. By holding abundant and attractive community cultural activities including neighbourhood sports events (鄰里運動會), community concerts (園區音樂會) and banquet for one hundred neighbourhood families (鄰里百家宴), the homeowners can enhance their mutual understanding and their personal happiness through exchanging ideas, thus forming a friendly neighbourhood atmosphere.
Children Series	The "Wonder Series" is the core service product of our Group. Among them, the Dolphin Plan is the free swimming training public welfare activity in the summer vacation for young homeowners in the community. Through holding activities like Latin dancing show and summer camp for children, the Group offers more chances to children to have quality education covering humanity, art, social practices and morality as a complement to their school lives.
U-YOUNG Series	U-YOUNG Series is a specific service platform established by the Group in 2015 and is designed for homeowners who are young adults. It aims at creating youthful, energetic and innovative community culture, covering a range of services including lifestyle, entrepreneurship, socializing, etc.
Elderly Series	The "Elderly Series" is a specific service activity designed for elderly homeowners with an aim of carrying forward the spirits of "kindheartedness and filial piety" as well as diversifying elderly homeowners' life and satisfying their spiritual needs. Through various activities such as "A Bowl of Longevity Noodles", community photography contest and evening party the med "Green Dating", the Group creates a harmonious community atmosphere featuring respecting and caring the elderly, and carries forward outstanding traditional spirits of Chinese culture.

“Dolphin Program”

In 2018, approximately 17,000 young homeowners finished their training under the “Dolphin Program” in 119 training stations. The Group summarized the 10-year experience of the “Dolphin Program” through four types of media including four TikTok micro-videos, six interviews at Ximalaya FM, one tenth-anniversary review video and one special in-depth report which attracted over 2 million viewers, and also deeply excavated the social meaning of this program.

"One day of a Chinese Elderly"

The record of "One day of a Chinese Elderly" interviewed five charismatic Greentown elderlies to establish a new model for the life of elderlies as well as spread positive energy, and was covered by over 200 media like the People's Daily, Xinhuanet, The Beijing News, Zhejiang Daily, Pear Video, Zhe Video (浙視頻), FutureNet (未來網), The Paper, Tencent News, Sina News (新浪新聞), Ifeng News, Toutiao (今日頭條), NetEase News (網易新聞), accumulating more than 5 million reading and playing volume.

First episode of "One day of a Chinese Elderly": The story of Huang Ru, leader of Greentown chorus–"Leading a life with music and passion"

Second episode of "One Day of a Chinese Elderly": the story of Zheng Ping, headmaster of Senior College in Arcadia Town– "By promoting the way of spending retirement life together, she brings pleasant life for over 300 elderlies"

Third episode of "One Day of a Chinese Elderly": the story of Sang Ying, leader of Hangzhou Greengarden model team－"The octogenarian who delights in online shopping and who built a model team for the elderly"

Fourth episode of "One Day of a Chinese Elderly": Shen Mingkun and his wife Liu Xianfen, home owners living in Qufu Lily Garden－"A golden wedding couple who took over 10,000 photos for love"

Fifth episode of "One Day of a Chinese Elderly": the story of Chen Xiezhong, home owner in Hainan Blue Town－"New target for the oldest six star runner in China: finishing marathons in 7 continents within 7 days"

APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspects	Indicators	Content of Indicators	Disclosures	Location in the Report/ Notes
Environmental				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	✓	P71-P73
	A1.1	The types of emissions and respective emissions data	✓	P71-P73
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	✓	P72
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	✓	P73
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	✓	P73
	A1.5	Description of measures to mitigate emissions and results achieved	✓	P71-P73
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	✓	P71-P73

Aspects	Indicators	Content of Indicators	Disclosures	Location in the Report/ Notes
A2: Resources Consumption	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	✓	P71-P73
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	✓	P73
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	✓	P73
	A2.3	Description of energy use efficiency initiatives and results achieved	✓	P71-P73
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	✓	No issue in sourcing water P71-P73
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable to principal business	
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	✓	P74-P76
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	✓	P74-P76
Social				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	✓	P63-P65

Aspects	Indicators	Content of Indicators	Disclosures	Location in the Report/ Notes
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	✓	P66
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	✓	P67-P70
B4: Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	✓	P63-P65
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	✓	P59-P61
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	✓	P53-P58
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	✓	P58-P59
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	✓	P77-P80

Corporate Governance Report

The Company believes that high corporate governance standards help enhance operational performance and the management's accountability. The Board has always strived to comply with the principles of corporate governance and adopts sound corporate governance practices to meet legal and commercial standards, with a focus on internal control and fair, transparent and timely disclosure.

Throughout the year ended 31 December 2018, the Board considers that the Company has met the code provisions as set out in the corporate governance code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules.

(A) The Board of Directors (for the year ended 31 December 2018)

The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, strategies for development, internal control and risk management systems, and monitoring the performance of the senior management. The daily business operations and administrative functions of the Group are delegated to the senior management.

Executive Directors

Mr SONG Weiping *(Co-Chairman)*
Mr LIU Wensheng *(Co-Chairman)*
Mr SUN Guoqiang (Resigned on 1 August 2018)
Mr SHOU Bainian (Resigned on 6 April 2018)
Mr CAO Zhounan (Resigned on 1 August 2018)
Mr ZHANG Yadong (Appointed on 1 August 2018)
Mr LI Qingan
Mr LI Yongqian
Mr LI Jun (Appointed on 6 April 2018)

Independent Non-Executive Directors

Mr JIA Shenghua
Mr KE Huanzhang
Mr SZE Tsai Ping, Michael
Mr HUI Wan Fai

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and each of the Directors confirmed that he has complied with the required standards set out in the Model Code throughout the year ended 31 December 2018 or (where appropriate) during his tenure as a director of the Company in 2018. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The respective responsibilities of the Directors and the Company's external auditors on the financial statements of the Group are set out in the"Independent Auditor's Report" on page 114 of this annual report.

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. The Chairman leads the Board and is responsible for the effective functioning of the Board in accordance with the good corporate governance practices adopted by the Company. He is also responsible for establishing corporate culture and developing strategies for the Company. The Chief Executive Officer focuses on developing and implementing policies approved and delegated by the Board. The Chief Executive Officer is also primarily responsible for the Group's day-to-day management and operations, and the formulation of the organisation structure, management systems, and internal control procedures and processes of the Group.

As at 31 December 2018, Mr SONG Weiping and Mr LIU Wensheng were the Co-chairmen of the Board and Mr ZHANG Yadong was the Chief Executive Officer of the Company.

Independent Non-Executive Directors
Independent non-executive Directors play a significant role in the Board by virtue of their independent judgment. Their views carry significant weight in the Board's decision. In particular, they provide impartial and multi-perspective opinions on the Group's development strategies, operational performance and internal control system. Every independent non-executive Director possesses extensive academic, professional and industry expertise and management experience. They provide professional advice to the Board according to the Group's particular situation. For the year ended 31 December 2018, each of the independent non-executive Directors has confirmed his independence to the Company in accordance with the Listing Rules.

Board Meetings and Shareholders' Meetings
The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through video/telephone conferences. 15 Board meetings and 2 shareholders' meetings were convened during 2018. The attendance of each individual director at these Board meetings and shareholders' meetings is set out below:

	Number of Board Meetings Attended/ Held in 2018	Number of Shareholders' Meetings Attended/ Held in 2018
Executive Directors		
Mr SONG Weiping	15/15	2/2
Mr LIU Wensheng	12/12	2/2
Mr SUN Guoqiang	6/6	2/2
Mr SHOU Bainian	3/3	0/0
Mr CAO Zhounan	6/6	2/2
Mr ZHANG Yadong	6/6	0/0
Mr LI Qingan	12/12	2/2
Mr LI Yongqian	12/12	2/2
Mr LI Jun	12/12	2/2
Independent Non-Executive Directors		
Mr JIA Shenghua	15/15	2/2
Mr KE Huanzhang	15/15	2/2
Mr SZE Tsai Ping, Michael	15/15	2/2
Mr HUI Wan Fai	15/15	2/2

All Directors are provided with the relevant materials relating to the issues for discussion before the meetings. They have access to members of the senior management and the company secretary at all times and may seek independent professional advice at the Company's expense. All Directors have the opportunity to request to include new issues for discussion in the agenda for Board meetings. Notices of Board meetings are given to the Directors within reasonable time before meeting and the procedures of Board meetings are conducted in compliance with the Articles of Association of the Company, as well as the relevant laws and regulations.

Each of the executive Directors, non-executive Directors, independent non-executive Directors has entered into a service contract or appointment letter with the Company for a specific term and the details of which, as well as the details of the appointment, re-election and removal of the Directors are described in the sections headed "Report of the Directors – Directors" and "– Directors' Service Contracts".

Directors' Continuous Professional Development
Each of the Directors has participated in continuous professional development in 2018 in compliance with Code A.6.5 of the Corporate Governance Code. The Company arranges regular seminars to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors participated in continuous professional development to develop and refresh their knowledge and skills in compliance with code provision A.6.5 of the Corporate Governance Code. The Company's external lawyers facilitated Directors' training by providing presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received this training.

Board Committees

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee (collectively, the "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting procedures, internal control and risk management systems, review the internal audit scheme formulated by the Internal Audit Department of the Group and the reports submitted by the Internal Audit Department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors, as well as assessing such auditors' performance, degree of independence and objectivity and reasonableness of their audit fees, and providing relevant recommendations to the Board. All members of the Audit Committee are independent non-executive Directors and non-executive directors. As at 31 December 2018, the Audit Committee comprised independent non-executive Directors, being Mr SZE Tsai Ping, Michael (Chairman), Mr JIA Shenghua and Mr HUI Wan Fai.

The major tasks accomplished during the year include:

– reviewing the annual and interim results announcements, reports and financial statements of the Group;

– reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practices;

– monitoring the work of the Internal Audit Department of the Group and reviewing the internal audit reports;

– advising on material transactions of the Group and providing recommendations on related risks to management; and

– reviewing the audit fees of the auditors and recommending the fees for approval by the Board.

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

During the year ended 31 December 2018, the Audit Committee held 2 meetings. The attendance of each individual member at the Audit Committee meetings is set out below:

	Number of Meetings Attended/Held
Independent Non-Executive Directors	
Mr SZE Tsai Ping, Michael *(Chairman)*	2/2
Mr JIA Shenghua	2/2
Mr HUI Wan Fai	2/2

Nomination Committee

The Nomination Committee is primarily responsible for considering and recommending to the Board suitably qualified persons to become members of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. As at 31 December 2018, the Nomination Committee comprised independent non-executive Directors Mr SZE Tsai Ping, Michael (Chairman), Mr HUI Wan Fai, Mr JIA Shenghua and Mr KE Huanzhang, and executive Directors Mr LIU Wensheng and Mr ZHANG Yadong. 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 duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

The Nomination Committee adopted and performed certain criteria and procedures in the nomination of new Directors during 2018. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Board adopts a diversity policy of considering a variety of aspects, such as cultural and educational background, professional experience, skills and knowledge in the industry of the Group's business and the past employment track record. All Board appointments will continue to be based on merits and competence, and the selected candidates will be considered against the aforesaid objective criteria.

During the year ended 31 December 2018, the Nomination Committee held 2 meetings. The attendance of each individual member at the Nomination Committee meetings is set out below:

	Number of Meetings Attended/Held
Independent Non-Executive Directors	
Mr SZE Tsai Ping, Michael *(Chairman)*	2/2
Mr HUI Wan Fai	2/2
Mr JIA Shenghua	2/2
Mr KE Huangzhang	2/2
Executive Directors	
Mr LIU Wensheng	2/2
Mr ZHANG Yadong	0/0

Remuneration Committee

The Remuneration Committee is responsible for making recommendations and proposals on Directors' remuneration and other benefits to the Board.

The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the level of their remuneration and compensation are reasonable. As at 31 December 2018, the Remuneration Committee comprised independent non-executive Directors Mr JIA Shenghua (Chairman), Mr KE Huanzhang, Mr SZE Tsai Ping, Michael and Mr HUI Wan Fai, and executive Directors Mr LIU Wensheng and Mr ZHANG Yadong.

During the year ended 31 December 2018, the Remuneration Committee have assessed the performance of Directors and make recommendations to the Board on the remuneration packages of the Directors and the remuneration policies and structure of the Company, details of which are set out in the section headed "Management Discussion and Analysis – Human Resources" in this annual report. During the year ended 31 December 2018, the Remuneration Committee held 3 meetings. The attendance of each individual member at the Remuneration Committee meeting is set out below:

	Number of Meetings Attended/Held
Independent Non-Executive Directors	
Mr JIA Shenghua *(Chairman)*	3/3
Mr SZE Tsai Ping, Michael	3/3
Mr KE Huan Zhang	3/3
Mr HUI Wan Fai	3/3
Executive Directors	
Mr LIU Wensheng	2/2
Mr ZHANG Yadong	2/2

Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and it performed the corporate governance duties as follows in 2018:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board on changes and updates;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors;

- reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report; and

- such other corporate governance duties and functions set out in the Corporate Governance Code (as amended from time to time) for which the Board are responsible.

(B) Financial Reporting and Internal Controls

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, International Financial Reporting Standards have been adopted and appropriate accounting policies have been consistently used and applied.

Independent Auditor

Deloitte Touche Tohmatsu has been appointed as the Company's independent auditor since 2004.

A breakdown of the remuneration received by the independent auditor for audit and non-audit services provided to the Company is as follows:

Service Items	2018 (RMB'000)	2017 (RMB'000)
Audit services (including interim review)	6,825	5,900
Non-audit services	0	3,150
Total	**6,825**	**9,050**

The Audit Committee and the Board have agreed on the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Group for 2019, and the proposal will be submitted for approval at the annual general meeting of the Company to be held on 14 June 2019 (Friday).

Risk Management and Internal Control

The Audit Committee is responsible for supervising the risk management and internal control functions of the Group and reviewing their effectiveness. Procedures have been designed to safeguard company assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for external publication, and ensure compliance with the applicable laws, rules and regulations. The Directors have conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, and reviewed and monitored the Company's internal management and operation during the year ended 31 December 2018. The Internal Audit Department established by the Company has conducted random internal audit of the Company, its subsidiaries, joint ventures and associates. The work carried out by the Internal Audit Department includes ensuring that the internal control is in place and functions properly as intended. The Audit Committee considered that the risk management and internal control systems remain adequate and effective throughout the year ended 31 December 2018 with no material issues that ought to be brought to the Board's attention.

(C) Dividend Policy

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. Currently, the dividend payout ratio of the Company is between 20% and 30% of the net profit attributable to the owners of the Company after (i) adjusting for the impacts of non-cash items, including gain on acquisition, fair value changes on the assets and liabilities of the Company, net exchange gain/loss, fair value adjustment on the cost of sales which arises from the Group's acquisition of subsidiaries for non-cash consideration, provision for impairment losses and etc; and (ii) deducting the amount of interests payable by the Group during the year on the perpetual capital securities issued by the Group. In determining the actual amount of dividends to be declared and paid by the Company, the Board also takes into account the following factors, including the general business conditions, results of operations, financial results/conditions, working capital requirements, future prospects and cash flows of the Group and any other factors which the Board deems relevant. The Company's historical dividends may not be indicative of future dividend payments. The declaration and payment of dividends may also be limited by legal restrictions or financing arrangements that may be entered into by the Group in the future. The Board will review the dividend policy of the Company as appropriate from time to time.

(D) Shareholder's Rights

According to the Articles of Association of the Company, shareholders shall have the right to request to convene an extraordinary general meeting ("EGM") of the Company. Two or more shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to request for an EGM. The written requisition(s), duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the Company's principal place of business in Hong Kong.

Shareholders who wish to move a resolution at general meetings may follow the procedures set out in the preceding paragraph.

In case of any enquiries that a Shareholder may have, please contact the investor relations department at (+852 2523 3138) or by email to ir@chinagreentown.com.

During the year ended 31 December 2018, there had been no change in the memorandum and articles of association of the Company. The memorandum and articles of association of the Company is published on the Company's website and the Stock Exchange's website.

The Company has established various channels of communication with its shareholders and the public to ensure that they are keep abreast of the Company's latest news and development. Information relating to the Company's financial details, property projects and major events are available through publication of annual and interim reports, announcements, circulars, press releases, monthly newsletters and the Company's website.

The Board believes that effective investor relations can contribute to building up market confidence, improving the liquidity of the Company's shares, establishing a more stable shareholder base in order to maximize benefits and value. The Company is committed to maintaining a high level of transparency and discloses company information to shareholders, investors, analysts and credit rating agencies in an open and timely manner.

The Company's investor relations team works closely with investors through emails, conference calls, and personal meetings to help them understand the Company's overall strategy, financial information and the latest business developments. A series of promotional events are also held after certain major events of the Company such as results announcements, important business developments or financing activities. Directors and senior management will attend the events to answer the questions from the capital market. Investor meetings and press conferences after the announcement of results will also be broadcasted on the Internet to enable relevant information to reach investors more widely.

During the Year, the investor relations team of the Company had attended 15 large-scale investment conferences organized by investment banks and securities organizations in Singapore, Beijing, Shanghai, Shenzhen and Macau, and conducted over 140 investor meetings, telephone conferences and over 40 site visits for projects. Through a series of investor relations activities, the Group further consolidated its contacts with investors from all over the world, so that the capital market has a better understanding of the Company, and on the other hand, by reporting market feedback to the management, a positive two-way communication cycle was formed.

Key investor relations events launched in 2018 are as follows:

Events	Date
2017 Annual Results Announcement	
– Press Conference and Investor Briefing	29 Mar 2018
2018 Annual General Meeting	15 Jun 2018
2018 Interim Results Announcement	
– Press Conference and Investor Briefing	27 Aug 2018

During the Year, in addition to reception of investors' and analysts' company visits and participation of "one-on-one" meetings, the Company also attended the following large-scale investment conferences organized by investment banks and securities organizations to promote positive information about the Company:

Date	Events	Organizer	Venue
8-12 Jan	UBS Greater China Conference 2018	UBS	Shanghai
11-12 Apr	Greater China Property Conference 2018	UBS	Hong Kong
18-19 Apr	Industrial Securities Strategy Meeting	Industrial Securities	Shenzhen
26 April	Haitong Securities Strategy Meeting	Haitong Securities	Hangzhou
10 May	SWHY Investor Meetings	ShenwanHongyuan	Hangzhou
15-16 May	9th Annual dbAccess Asia Conference	Deutsche Bank	Singapore
15-16 May	CLSA China Investors' Forum	CLSA	Hangzhou
7 Jun	CIMB Hong Kong Property Corporate Day 2018	CIMB	Hong Kong
13 Jun	2nd Asia Credit Conference	HSBC	Hong Kong
28 Jun	Citi's Asia Pacific Property Conference 2018	Citi	Hong Kong
11-12 Sep	25th CLSA Investors' Forum	CLSA	Hong Kong
8-9 Oct	Asian High Yield Credit Conference 2018	Bank of America Merrill Lynch	Hong Kong
7-8 Nov	Jefferies 8th Greater China Conference	Jefferies	Hong Kong
15-16 Nov	Citi 13th China Investor Conference	Citi	Macau
14 Dec	Haitong Securities Annual Strategy Meeting	Haitong Securities	Shanghai

Our investor relations team will continue to enhance the quality of communication with its investors and maintain corporate transparency.

To ensure easy access to The Company's updated information, all of the Company's published information including announcements, interim and annual reports, press releases, and monthly newsletters, are posted on the Company's website www.chinagreentown.com in a timely manner. Interested party can also make enquiries by contacting the investor relations department at (+852 2523 3138) or by email to ir@chinagreentown.com.

Report of the Directors


Hangzhou Yunqi Peach Garden

Report of the Directors

The Board presents its annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "Consolidated Financial Statements") to the Shareholders.

Company Incorporation

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2004 Second Revision) of the Cayman Islands on 31 August 2005. The shares of the Company were listed on the Main Board of the Stock Exchange on 13 July 2006.

Principal Business

The Company is an investment holding company. The activities of its subsidiaries, joint ventures and associates are set out in notes 51, 19 and 18 to the Consolidated Financial Statements, respectively. There was no significant change in the nature of the Group's principal business during the year ended 31 December 2018 (the "Year").

Business Review

The principal activities of the Group are property development and related business in China. The operating results and development prospects will be affected by Chinese real estate control policies, financial policies and economic development. The Group will make timely response to the changes in the external environment in order to maintain the stability and growth of its operating results.

A fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year and an indication of the likely future development of the Group's business (including, in each case to the extent necessary for an understanding of the development, performance or position of the Group's business, key performance indicators) are provided in the section headed "Management Discussion and Analysis" of this annual report and in the notes to the financial statements.

To the extent necessary for an understanding of the development, performance or position of the Group's business, a discussion of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends are provided in the sections headed "Environmental and Social Responsibility Report" and "Investor Relations" of this annual report.

Environmental Policies and Performance

The Group is committed to achieving environmental sustainability. The Group endeavors to comply with the relevant laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, waste reduction and energy saving. The Group reviews its environmental policies on a regular basis. Further details of the Group's environmental policies and performance are provided in the section headed "Environmental and Social Responsibility Report".

Compliance with Relevant Laws and Regulations

The Group and its business operations are subject to various laws, rules and regulations. The Company seeks to ensure adherence to such laws, rules and regulations through various measures such as internal controls, approval procedures, staff trainings and oversight of business operations at different levels of the Group. The Board also monitors the Group's policies and practices on compliance with relevant laws, rules and regulations on a regular basis.

So far as the Directors and senior management are aware, for the year ended 31 December 2018, the Group has obtained the approvals, permits, consents, licenses and registrations required for and material to its business and operations, and there was no material breach of the relevant laws and regulations by the Group that have a significant impact on the Group.

Financial Positions and Results

The financial positions of the Group as at 31 December 2018 prepared in accordance with IFRS are set out in the Consolidated Statement of Financial Position on pages 124 to 125 of this annual report.

The results of the Group for the year ended 31 December 2018 prepared in accordance with IFRS are set out in the Consolidated Statement of profit or loss and other Comprehensive Income on page 123 of this annual report. A financial summary of the Group for the last five financial years is set out on page 007 of this annual report.

Reserves

Details of movements in reserves of the Group in 2018 are set out in the Consolidated Statement of Changes in Equity on page 126 of the annual report.

Dividends

The Board recommends the payment of a final dividend of RMB0.23 per share for the year ended 31 December 2018 (the "2018 Final Dividend") (2017: RMB0.2) to the ordinary Shareholders whose names appear on the Company's register of members as at 25 June 2019 (Tuesday). Subject to approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM"), the 2018 Final Dividend is expected to be paid before the end of July 2019.

Segment Information

The reporting segments of the Group are as follows:

1 Property development

2 Hotel operations

3 Property investment

4 Project management

The segment information for the year ended 31 December 2018 is set out in note 5 to the Consolidated Financial Statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Year are set out in note 15 to the Consolidated Financial Statements.

Share Capital

Details of movements in the share capital of the Company during the Year are set out in note 35 to the Consolidated Financial Statements.

Details of Share Offering and Placing

	IPO	Placement 1	Placement 2	Placement 3
Listing place	Main Board of HKEx	Main Board of HKEx	Main Board of HKEx	Main Board of HKEx
Offering/Placing price	HK$8.22 per share	HK$16.35 per share	HK$5.20 per share	HK$5.20 per share
Listing date	13 July 2006	4 May 2007	15 June 2012	2 August 2012
Number of issued shares	347,402,500 shares	141,500,000 shares	327,849,579 shares	162,113,714 shares

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, the Company has maintained a sufficient public float as required by the Listing Rules throughout the year ended 31 December 2018.

Purchase, Sale or Redemption of the Listed Securities of the Company

Save as disclosed in note 32 to the Consolidated Financial Statements, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

Directors

During the year ended 31 December 2018, directors of the Company were as follows:

Executive Directors
Mr SONG Weiping (Co-chairman)
Mr LIU Wensheng (Co-chairman)
Mr SUN Guoqiang (Resigned on 1 August 2018)
Mr SHOU Bainian (Resigned on 6 April 2018)
Mr CAO Zhounan (Resigned on 1 August 2018)
Mr ZHANG Yadong (Appointed on 1 August 2018)
Mr LI Qingan
Mr LI Yongqian
Mr LI Jun (Appointed on 6 April 2018)

Independent Non-Executive Directors
Mr JIA Shenghua
Mr KE Huanzhang
Mr SZE Tsai Ping, Michael
Mr HUI Wan Fai

In accordance with Article 130 of the Articles of Association of the Company, one third of the directors for the time being or, if the number is not three or a multiple of three, the number nearest to but not less than one third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. Mr JIA Shenghua, Mr KE Huanzhang, Mr SZE Tsai Ping, Michael and Mr HUI Wan Fai will retire at the forthcoming AGM. In addition, according to Article 114 of the Articles of Association of the Company, any director appointed by the Board will hold office until the first general meeting of the Company after his/her appointment. Therefore, Mr ZHANG Yadong will retire at the AGM. Each of the above retiring directors, being eligible in accordance with the Articles of Association of the Company, will offer himself for re-election.

Directors' Service Contracts

Each of the executive directors had entered into a service contract with the Company for a term of three years and shall be in effect until terminated by either party by giving not less than three months' prior notice in writing, renewable on expiry on mutual consent.

Each of the independent non-executive directors entered into an appointment letter with the Company regarding his appointment for a term of three years subject to the terms and conditions of the appointment letter, renewable on expiry on mutual consent. Their respective appointments as an independent non-executive director shall also be subject to retirement by rotation at the forthcoming AGM of the Company and each of them shall be eligible for re-election in accordance with the Articles of Association of the Company.

Apart from the foregoing, no director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

Biographical details of the directors and senior management of the Group are set out on pages 044 to 049 of this annual report.

Remuneration of Directors

The remuneration of the directors is disclosed on an individual named basis in note 11 to the Consolidated Financial Statements.

Highest Paid Individuals

During the Year, the relevant information of the five individuals with the highest remuneration of the Group is disclosed in note 11 to the Consolidated Financial Statements.

Independence of Independent Non-Executive Directors

The Board has obtained written confirmations from all independent non-executive directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board is in the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2018, the interests and short positions of directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations, 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, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Personal Interests in Underlying Shares (Share options Granted to Directors)	Family Interests	Interest of Controlled Corporation	Total Number of Shares and Underlying Shares Held	% of Issued Share Capital of the Company Held
Mr SONG Weiping	8,150,000 (note 1)	–	226,071,924 (note 2)	234,221,924	10.800%
Mr LIU Wensheng	7,400,000 (note 1)	–	–	7,400,000	0.341%
Mr ZHANG Yadong	7,600,000 (note 3)	–	–	7,600,000	0.350%
Mr LI Qingan	6,500,000 (note 1)	–	–	6,500,000	0.300%
Mr LI Yongqian	5,700,000 (note 1)	–	–	5,700,000	0.263%
Mr LI Jun	3,200,000 (note 4)	–	–	3,200,000	0.148%

Notes:

(1) Share options granted on 27 December 2017 pursuant to the 2016 Share Option Scheme and are only exercisable based on the latest closing price per share stated on the daily quotation sheet of the Stock Exchange which is at least 30% higher than the initial exercise price of HK$9.10 per share from 27 December 2017 to 26 December 2027.

(2) Mr SONG Weiping, being the sole shareholder of Delta House Limited ("Delta"), is deemed to be interested in 126,071,924 Shares held by Delta pursuant to Part XV of the SFO. Hong Kong Orange Osmanthus Foundation Limited ("HKOO Foundation") is a company limited by guarantee and established by Mr SONG Weiping as a charitable institution of a public character exempt from tax under Section 88 of the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong. As Mr SONG Weiping is the sole member of HKOO Foundation, pursuant to Part XV of the SFO, Mr SONG Weiping is deemed to be interested in 100,000,000 Shares held by HKOO Foundation notwithstanding that Mr SONG Weiping is not beneficially interested in such shares.

(3) Share options granted on 28 August 2018 pursuant to the 2016 Share Option Scheme and are only exercisable based on the latest closing price per share stated on the daily quotation sheet of the Stock Exchange which is at least 30% higher than the initial exercise price of HK$8.326 per share from 28 August 2018 to 27 August 2028.

(4) It includes (i) 1,900,000 share options granted on 27 December 2017 pursuant to the 2016 Share Option Scheme and are only exercisable based on the latest closing price per share stated on the daily quotation sheet of the Stock Exchange which is at least 30% higher than the initial exercise price of HK$9.10 per share from 27 December 2017 to 26 December 2027; (ii)1,300,000 share options granted on 28 August 2018 pursuant to the 2016 Share Option Scheme and are only exercisable based on the latest closing price per share stated on the daily quotation sheet of the Stock Exchange which is at least 30% higher than the initial exercise price of HK$8.326 per share from 28 August 2018 to 27 August 2028. The aforesaid represents an aggregate of 3,200,000 shares.

Save as disclosed above, as at 31 December 2018, none of the directors and chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or required to notify the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2018, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Securities", had notified the Company of relevant interests in the shares and underlying shares of the Company:

Name of Substantial Shareholder (note 1)	Interest or Short Position in the Shares or Underlying Shares (note 2)	Capacity in which Interests are Held	% of Issued Share Capital of the Company Held
CCCG (note 3)	624,851,793 (L)	Interest of controlled Corporations	28.813%
CCCG Holding (HK) Limited (note 4)	524,851,793 (L)	Beneficial owner	24.201%
HSBC Trustee (C.I.) Limited (note 5)	540,589,293 (L)	Interest of controlled corporations	24.927%
Wheelock and Company Limited ("Wheelock") (note 6)	540,589,293 (L)	Interest of controlled corporations	24.927%
Wharf (note 7)	540,589,293 (L)	Interest of controlled corporations	24.927%
Ms Xia Yibo (note 8)	234,221,924 (L)	Interest of spouse	10.800%
Delta (note 9)	126,071,924 (L)	Beneficial owner	5.813%
HKOO Foundation (note 9)	100,000,000 (L)	Beneficial owner	4.611%

Notes:

(1) The list of substantial shareholders of the Company and their respective interests in the shares and underlying shares of the Company set out in the table are based on the information available to the Company after making reasonable enquiry.

(2) The letter "L" denotes a long position.

(3) CCCG is deemed to be interested in 624,851,793 Shares through its controlled corporations, namely CCCG Real Estate Group Co., Ltd.* (中交房地產集團有限公司) (which is wholly-owned by CCCG) and CCCG Holding (HK) Limited and CCCG Real Estate Holding Limited (each of which is wholly-owned by CCCG Real Estate Group Co., Ltd.).

(4) A company controlled by CCCG by virtue of the SFO.

(5) HSBC Trustee (C.I.) Limited is deemed to be interested in 540,589,293 Shares through its controlled corporations, namely Wheelock, Wheelock Investments Limited, WF Investment Partners Limited, Wharf, Wharf China Holdings Limited and Target Smart Investments Limited ("Target Smart").

(6) Wheelock is deemed to be interested in 540,589,293 Shares through its controlled corporations, namely Wheelock Investments Limited, WF Investment Partners Limited, Wharf, Wharf China Holdings Limited and Target Smart.

(7) Wharf is deemed to be interested in 540,589,293 Shares through its controlled corporations, namely Wharf China Holdings Limited and Target Smart.

(8) Ms XIA Yibo is the spouse of Mr SONG Weiping. Accordingly, pursuant to Part XV of the SFO, Ms XIA Yibo is deemed to be interested in: (i) 126,071,924 Shares held by Delta, a company of which Mr SONG Weiping is the sole shareholder; (ii) 100,000,000 Shares held by HKOO Foundation, a charitable institution established by Mr SONG Weiping of which Mr SONG Weiping is the sole member (notwithstanding that neither Mr SONG Weiping nor Ms XIA Yibo is beneficially interested in those Shares); and (iii) 8,150,000 share options of the Company held by Mr SONG Weiping. The aforesaid represents an aggregate of 234,221,924 Shares.

(9) A company controlled by Mr SONG Weiping by virtue of the SFO, of which Mr SONG Weiping is the sole member. HKOO Foundation is a company limited by guarantee and established by Mr SONG Weiping as a charitable institution of a public character exempt from tax under Section 88 of the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong. As Mr SONG Weiping is the sole member of HKOO Foundation, pursuant to Part XV of the SFO, Mr SONG Weiping is deemed to be interested in 100,000,000 Shares held by HKOO Foundation notwithstanding that Mr SONG Weiping is not beneficially interested in such Shares.

Save as disclosed above, as at 31 December 2018, the Company has not been notified of any other interests or short positions notifiable to the Company held by any other person in the Shares or underlying shares of the Company required to be recorded under section 336 of the SFO.

As at 31 December 2018, save as disclosed below, none of the directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of Company which Had Such Discloseable Interest or Short Position in the Shares	Position within Such Company
Mr SONG Weiping	Delta	Director
	HKOO Foundation	Director
Mr LIU Wensheng	CCCG Holding (HK) Limited	Director

Share Option Scheme

The 2006 Share Option Scheme has been terminated upon adoption of the 2016 Share Option Scheme by ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 17 June 2016 (the "Effective Date"). Upon termination of the 2006 Share Option Scheme, no further options of the 2006 Share Option Scheme can be offered thereunder but the provisions of the scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to its termination and options granted prior to such termination shall continue to be valid and exercisable. The 2016 Share Option Scheme was adopted for the primary purpose of providing incentives and/or reward to directors and employees of the Group and will expire on 16 June 2026 unless otherwise cancelled or amended. Under the 2016 Share Option Scheme, the Board may grant options to eligible employees to subscribe for shares in the Company. The eligible participants of the 2016 Share Option Scheme are any director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group. The offer of a grant of share options may be accepted within 21 days from the date of offer, upon receipt by the Company of the payment of a consideration of HK$1 and signed acceptance of offer by the eligible participant.

Subject to the terms and conditions of the 2016 Share Option Scheme, the maximum numbers of shares in respect of the options may be granted under the 2016 Share Option Scheme shall not exceed 10% of the shares of the Company in issue as at the adoption date. 8,900,000 shares options were granted on 28 August 2018 under the 2016 Share Option Scheme.

The total number of Shares in respect of which share options may be granted under the 2016 Share Option Scheme is not permitted to exceed 10% of the Shares of the Company in issue at the adoption date, without prior approval from the Company's shareholders. The number of Shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point of time, without prior approval from the Company's shareholders. Share options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Share options may be exercised at any time within the option period, which shall be determined and notified by the Board to the grantee during which the share options may be exercised and in any event shall be not more than ten years commencing on the date on which the offer in relation to such share option is deemed to have been accepted, unless otherwise specified in the 2016 Share Option Scheme. The exercise price is determined by the Board, and will not be less than the higher of (i) the closing price of the Shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the Shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The total number of options available for issue under the 2016 Share Option Scheme was 107,352,819 shares, representing approximately 4.95% of the issued share capital of the Company as at the date of this report.

For the year ended 31 December 2018, the details of the share options of the Company granted, exercised and cancelled pursuant to the 2006 Share Option Scheme were as follows:

Name of Grantee	No. of Share Options Outstanding at the Beginning of the Year	No. of Share Options Granted during the Year	No. of Share Options Exercised during the Year	No. of Share Options Cancelled during the Year	No. of Share Options Lapsed during the Year	No. of Share Options Outstanding at the End of the Year	Date of Grant	Period during which Share Options are Exercisable	Exercise Price per Share (HK$)
Directors									
Mr SONG Weiping	544,500	–	544,500	–	–	–	22 January 2009	22 January 2009 to 21 January 2019	2.89
	272,250	–	272,250	–	–	–	22 January 2009	22 January 2010 to 21 January 2019	2.89
	272,250	–	272,250	–	–	–	22 January 2009	22 January 2011 to 21 January 2019	2.89
	1,089,000	**–**	**1,089,000**	**–**	**–**	**–**			
Employees									
Certain Other employees of the Company's subsidiaries, associated companies and joint ventures	802,500	–	539,500	–	–	263,000	22 January 2009	22 January 2009 to 21 January 2019	2.89
	1,060,250	–	505,000	–	–	555,250	22 January 2009	22 January 2010 to 21 January 2019	2.89
	2,092,750	–	851,000	–	–	1,241,750	22 January 2009	22 January 2011 to 21 January 2019	2.89
	59,000	–	–	–	–	59,000	13 May 2009	13 May 2011 to 12 May 2019	7.16
	3,300,000	–	–	–	–	3,300,000	13 May 2009	13 May 2012 to 12 May 2019	7.16
	13,003,750	–	57,000	–	–	12,946,750	22 June 2009	22 June 2009 to 21 June 2019	11.00
	7,113,875	–	38,000	–	9,000	7,066,875	22 June 2009	22 June 2010 to 21 June 2019	11.00
	7,375,375	–	18,000	–	15,500	7,341,875	22 June 2009	22 June 2011 to 21 June 2019	11.00
	7,500,000	–	–	–	7,500,000	–	17 July 2009	17 July 2009 to 16 July 2019	11.59
	3,750,000	–	–	–	3,750,000	–	17 July 2009	17 July 2010 to 16 July 2019	11.59
	3,750,000	–	–	–	3,750,000	–	17 July 2009	17 July 2011 to 16 July 2019	11.59
	49,807,500	**–**	**2,008,500**	**–**	**15,024,500**	**32,774,500**			
Certain employees of Greentown Property Management Service Group Co., Ltd., Hangzhou Jinshagang Travel Cultural Co., Ltd. and Greentown Holdings Group Limited, all being affiliates of Mr SONG Weiping	872,500	–	–	–	–	872,500	22 June 2009	22 June 2009 to 21 June 2019	11.00
	436,250	–	–	–	–	436,250	22 June 2009	22 June 2010 to 21 June 2019	11.00
	436,250	–	–	–	–	436,250	22 June 2009	22 June 2011 to 21 June 2019	11.00
	1,745,000	**–**	**–**	**–**	**–**	**1,745,000**			
Total	**52,641,500**	**–**	**3,097,500**	**–**	**15,024,500**	**34,519,500**			

Details of the Company's Share options granted, exercised, cancelled and lapsed pursuant to the 2016 Share Option Scheme during the year ended 31 December 2018 were as follow:

Name of Grantee	No. of Share Options Outstanding at the Beginning of the Year	No. of Share Options Granted during the Year	No. of Share Options Exercised during the Year	No. of Share Options Cancelled during the Year	No. of Share Options Lapsed during the Year	No. of Share Options Outstanding at the End of the Year	Date of Grant	Period during which Share Options are Exercisable	Exercise Price per Share (HK$)
Directors									
Mr SONG Weiping	2,445,000	–	–	–	–	2,445,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	2,445,000	–	–	–	–	2,445,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	1,630,000	–	–	–	–	1,630,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	815,000	–	–	–	–	815,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	815,000	–	–	–	–	815,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	8,150,000	**–**	**–**	**–**	**–**	**8,150,000**			
Mr LIU Wensheng	2,220,000	–	–	–	–	2,220,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	2,220,000	–	–	–		2,220,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	1,480,000	–	–	–	–	1,480,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	740,000	–	–	–	–	740,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	740,000	–	–	–	–	740,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	7,400,000	**–**	**–**	**–**	**–**	**7,400,000**			
Mr Zhang Yadong	–	2,280,000	–	–	–	2,280,000	28 August 2018	28 August 2019 to 27 August 2028	8.326
	–	2,280,000	–	–	–	2,280,000	28 August 2018	28 August 2020 to 27 August 2028	8.326
	–	1,520,000	–	–	–	1,520,000	28 August 2018	28 August 2021 to 27 August 2028	8.326
	–	760,000	–	–	–	760,000	28 August 2018	28 August 2022 to 27 August 2028	8.326
	–	760,000	–	–	–	760,000	28 August 2018	28 August 2023 to 27 August 2028	8.326
	–	**7,600,000**	**–**	**–**	**–**	**7,600,000**			
Mr LI Qingan	1,950,000	–	–	–	–	1,950,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	1,950,000	–	–	–	–	1,950,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	1,300,000	–	–	–	–	1,300,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	650,000	–	–	–	–	650,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	650,000	–	–	–	–	650,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	6,500,000	**–**	**–**	**–**	**–**	**6,500,000**			
Mr LI Yongqian	1,710,000	–	–	–	–	1,710,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	1,710,000	–	–	–	–	1,710,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	1,140,000	–	–	–	–	1,140,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	570,000	–	–	–	–	570,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	570,000	–	–	–	–	570,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	5,700,000	**–**	**–**	**–**	**–**	**5,700,000**			

Name of Grantee	No. of Share Options Outstanding at the Beginning of the Year	No. of Share Options Granted during the Year	No. of Share Options Exercised during the Year	No. of Share Options Cancelled during the Year	No. of Share Options Lapsed during the Year	No. of Share Options Outstanding at the End of the Year	Date of Grant	Period during which Share Options are Exercisable	Exercise Price per Share (HK$)
Mr Lijun	570,000	–	–	–	–	570,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	570,000	–	–	–	–	570,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	380,000	–	–	–	–	380,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	190,000	–	–	–	–	190,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	190,000	–	–	–	–	190,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	–	390,000	–	–	–	390,000	28 August 2018	28 August 2019 to 27 August 2028	8.326
	–	390,000	–	–	–	390,000	28 August 2018	28 August 2020 to 27 August 2028	8.326
	–	260,000	–	–	–	260,000	28 August 2018	28 August 2021 to 27 August 2028	8.326
	–	130,000	–	–	–	130,000	28 August 2018	28 August 2022 to 27 August 2028	8.326
	–	130,000	–	–	–	130,000	28 August 2018	28 August 2023 to 27 August 2028	8.326
	1,900,000	**1,300,000**	**–**	**–**	**–**	**3,200,000**			
Employees									
Certain other employees of the Company's subsidiaries, associated companies and jointly controlled entities	21,105,000	–	–	–	–	21,105,000	27 December 2017	27 December 2018 to 26 December 2027	9.10
	21,105,000	–	–	–	–	21,105,000	27 December 2017	27 December 2019 to 26 December 2027	9.10
	14,070,000	–	–	–	–	14,070,000	27 December 2017	27 December 2020 to 26 December 2027	9.10
	7,035,000	–	–	–	–	7,035,000	27 December 2017	27 December 2021 to 26 December 2027	9.10
	7,035,000	–	–	–	–	7,035,000	27 December 2017	27 December 2022 to 26 December 2027	9.10
	70,350,000	**–**	**–**	**–**		**70,350,000**			
Total	**100,000,000**	**8,900,000**	**–**	**–**	**–**	**108,900,000**			

The vesting period of the above share options is from the date of grant until the commencement of the period during which they are exercisable.

During the Year, 3,097,500 share options were exercised.

For other details regarding the share option scheme(s) of the Company, please refer to note 41 to the consolidated financial statements of the Company in this report.

Valuation of Options

The Company has been using the Binomial Valuation Model and the Black-Scholes Pricing Model (collectively, the "Models") to value the share options granted. Details of the key parameters used in the Models and the corresponding fair values of the options granted in 2009, 2017 and 2018 are set out in note 41 to the Consolidated Financial Statements.

Directors' Material Interests in Transactions, Arrangements or Contracts of Significance

Other than as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" of this annual report and in note 48 to the Consolidated Financial Statements, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract, which is of significance to the business of the Group and to which the Company or any of its subsidiaries, its parent company and the subsidiaries of its parent company was a party, subsisting at any time during, or at the end of, the year ended 31 December 2018.

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Connected Transactions and Continuing Connected Transactions

Significant related party transactions entered into by the Group for the year ended 31 December 2018 are disclosed in note 48 to the Consolidated Financial Statements. Details of some of the said related party transactions, which also constituted connected transactions or continuing connected transactions of the Company required to be disclosed in accordance with Chapter 14A of the Listing Rules are listed as follows. Save for the transactions mentioned below, none of such related party transactions constituted a connected transaction or a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules as and where applicable and relevant.

(A) Connected Transactions

1.1 Development of Residential Properties in Hangzhou with Wharf

On 29 January 2018, the Company entered into a framework agreement with Wharf and the other parties thereto pursuant to which the Company and Wharf agreed to jointly develop a piece of land in Hangzhou into residential properties on a 50:50 ownership basis. The land is situated in the Xiaoshan District of Hangzhou, Zhejiang, PRC with a gross site area of approximately 70,129 sqm. The residential properties to be developed on the land are expected to have a total gross floor area of approximately 196,361 sqm. The total land consideration is RMB3,938,900,000.

Pursuant to the framework agreement, (i) the Company shall transfer the entire interest in the land to Zhejiang Lujiu (a subsidiary of the Company owned as to 50% by the Group and 50% by Wharf) ("Zhejiang Lujiu"), at a consideration of RMB5 million; and (ii) it is expected that the total land consideration shall be contributed by the Group and the Wharf Group on a 50:50 basis and that all other funding needs will be primarily arranged by Zhejiang Lujiu itself.

As at the date of the framework agreement, Wharf, together with its subsidiaries, held approximately 24.963% of the issued share capital of the Company, and was therefore a substantial shareholder of the Company under the Listing Rules. Accordingly, as Wharf holds more than 30% equity interest in Zhejiang Lujiu, Zhejiang Lujiu was an associate of Wharf and thus a connected person of the Company.

Based on the applicable size tests, the entering into of the framework agreement and the transactions contemplated thereunder constituted a connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the framework agreement were disclosed in the announcement of the Company dated 29 January 2018.

1.2 Formation of a Joint Venture for Carrying out the Preliminary Works of the China Agricultural Expo Town Project

On 1 February 2018, Greentown Ideal Town Construction Group Co., Ltd.* (綠城理想小鎮建設集團有限公司) (a wholly-owned subsidiary of the Company) ("Greentown Town Development") entered into a shareholders' agreement with CCCC Investment Co., Ltd.* (中交投資有限公司) ("CCCC Investment") and CCCC Southwest Investment and Development Co., Ltd.* (中交西南投資發展有限公司) ("CCCC Southwest Investment") in relation to the formation of CCCC Greentown (Chengdu) Investment and Development Co., Ltd.* (中交綠城(成都)投資發展有限公司) (the "CCCC Greentown"), pursuant to which the parties agreed to establish CCCC Greentown with a registered capital of RMB400 million on a 45:46:9 basis. CCCC Greentown was proposed to be established primarily for carrying out the preliminary works of the China Agricultural Expo Town Project (中國農博小鎮項目) in Chengdu, jointly building characteristic towns, pastoral complexes and other projects.

As at the date of the shareholders' agreement, CCCG and its subsidiaries were holding 624,851,793 Shares, representing approximately 28.85% of the issued share capital of the Company, and CCCG was therefore a substantial shareholder of the Company under the Listing Rules. Accordingly, CCCG and its associates (including CCCC Investment and CCCC Southwest Investment, each being a wholly-owned subsidiary of CCCG) were connected persons of the Company.

Based on the applicable size tests, the entering into of the shareholders' agreement and the transactions contemplated thereunder constituted a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the shareholders' agreement were disclosed in the announcement of the Company dated 1 February 2018.

1.3 Finance Lease Arrangement

On 29 March 2018, Greentown Financial Leasing (Shanghai) Co., Ltd.* (綠城融資租賃(上海)有限公司) (a wholly-owned subsidiary of the Company) ("Greentown Financial Leasing") and Greentown Asset Management Group Co., Ltd.* (綠城資產管理集團有限公司) (a wholly-owned subsidiary of the Company) ("Greentown Asset Management") entered into a finance lease arrangement with CCCC Financial Leasing Co., Ltd.* (中交建融租賃有限公司) (a non-wholly owned subsidiary of CCCG) ("CCCC Financial Leasing"), pursuant to which (i) CCCC Financial Leasing shall purchase certain leased assets from Greentown Financial Leasing at a total consideration of RMB293,000,000 and CCCC Financial Leasing shall lease back the leased assets to Greentown Financial Leasing for a period of 24 months at a total lease payment of RMB314,169,510.64, which shall be made in four installments in equal amount; (ii) Greentown Financial Leasing shall engage CCCC Financial Leasing for the provision of financial planning and other consultancy services at a service fees of RMB293,000; and (iii) Greentown Asset Management shall act as guarantor in favour of CCCC Financial Leasing to guarantee the performance of Greentown Financial Leasing under the finance lease arrangement.

As at the finance lease arrangement, CCCG and its subsidiaries were holding 624,851,793 shares in the Company, representing approximately 28.826% of the issued share capital of the Company, and therefore CCCG was a substantial shareholder of the Company. CCCC Financial Leasing was a non-wholly owned subsidiary of CCCG and thus an associate of CCCG and a connected person of the Company.

Based on the applicable size tests, the entering into of the finance lease arrangement and the transactions contemplated thereunder constituted a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Details of the finance lease arrangement were disclosed in the announcement of the Company dated 29 March 2018.

1.4 Development of Residential Properties in Tianjin

On 31 October 2018, Tianjin Greentown Northern Real Estate Company Limited* (天津綠城北方置地有限公司) (a wholly-owned subsidiary of the Company) ("Greentown Northern Real Estate") entered into a framework agreement with Real Estate Development Co., Ltd of CCCC First Harbor Engineering Company Ltd. (中交一航局房地產開發有限公司) ("CCCC First Harbor Real Estate") and CCCC Beijing-Tianjin-Hebei Investment Development Company Limited* (中交京津冀投資發展有限公司) ("CCCC Beijing-Tianjin-Hebei Investment") pursuant to which Greentown Northern Real Estate, CCCC First Harbor Real Estate and CCCC Beijing-Tianjin-Hebei Investment agreed to jointly develop a piece of land in Tianjin into residential properties on a 41:39:20 ownership basis. The land is situated in Hexi District of Tianjin in the PRC with a gross site area of approximately 17,703 sqm. The residential properties to be developed on the land are expected to have a total gross floor area of approximately 35,406 sqm. The total land consideration is RMB760,000,000.

Pursuant to the framework agreement, the parties expect that the total land consideration shall be contributed by Greentown Northern Real Estate, CCCC First Harbor Real Estate and CCCC Beijing-Tianjin-Hebei Investment on a 41:39:20 basis. It is expected that all other funding needs will be preferentially arranged by the relevant project company itself.

As at the date of framework agreement, CCCG and its subsidiaries were holding 624,851,793 Shares, representing approximately 28.825% of the issued share capital of the Company, and CCCG was therefore a substantial shareholder of the Company under the Listing Rules. Accordingly, CCCG and its associates (including CCCC First Harbor Real Estate and CCCC Beijing-Tianjin-Hebei Investment, each being a non-wholly owned subsidiary of CCCG) were connected persons of the Company.

Based on the applicable size tests, the entering into of the framework agreement and the transactions contemplated thereunder constituted a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Details of the framework agreement were disclosed in the announcement of the Company dated 31 October 2018.

1.5 Acquisition of Interest in a Development in Beijing

On 23 November 2018, Hangzhou Zhenmei Investment Limited* (杭州臻美投資有限公司) (a wholly-owned subsidiary of the Company) ("Hangzhou Zhenmei") entered into an agreement with, among other parties, Zhichang (Beijing) Corporate Management Company Limited* (致昌(北京)企業管理有限公司) (a wholly-owned subsidiary of Wharf) ("Zhichang Beijing") pursuant to which, among other things, Hangzhou Zhenmei has conditionally agreed to acquire from Zhichang Beijing 10% equity interest in Beijing Liangma Real Estate Co., Ltd* (北京亮馬置業有限公司) ("Beijing Liangma") (RMB10 million) and the shareholder's loan owed by Beijing Liangma to Zhichang Beijing (amounting to RMB388.6 million as at 31 August 2018), together with an interest accrued thereon (amounting to RMB60.7 million as at 31 August 2018). Beijing Liangma holds a piece of land in Jiangtai Village, Chaoyang District, Beijing with a gross site area (including the floor area of the ancillary facilities) of approximately 61,023.18 sqm, which is proposed to be primarily developed into residential properties.

As at the date of the agreement, Wharf (through its subsidiaries) held approximately 24.938% of the issued share capital of the Company, and was therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Accordingly, being a wholly-owned subsidiary of Wharf, Zhichang Beijing was also a connected person of the Company.

Based on the applicable size tests, the entering into of the agreement and the transactions contemplated thereunder constitute a connected transaction of the Company subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the agreement were disclosed in the announcement of the Company dated 23 November 2018.

1.6 Development of Properties in Fuzhou

On 19 December 2018, Fuzhou Lurong Investment Development Co., Ltd.* (福州綠榕投資發展有限公司) ("Fuzhou Lurong Investment") (a wholly-owned subsidiary of the Company) entered into a framework agreement with CCCC Haixi Investment Company Limited* (中交海西投資有限公司), (a non-wholly owned subsidiary of CCCG) ("CCCC Haixi Investment") and an independent third party pursuant to which the parties agreed to jointly develop a piece of land in Fuzhou on a 80:10:10 basis.

As at the date of the framework agreement, CCCG and its subsidiaries were holding 624,851,793Shares, representing approximately 28.823% of the issued share capital of the Company, and CCCG was therefore a substantial shareholder of the Company under the Listing Rules. Accordingly, CCCG and its associates (including CCCC Haixi Investment, a non-wholly owned subsidiary of CCCG) were connected persons of the Company. As such, the entering into of the framework agreement and the transactions contemplated thereunder constituted a connected transaction of the Company.

On 15 March 2019, the Company announced that there may be a change in the shareholding structure of the party(ies) to the framework agreement, so that the Company may or may not issue a circular to the shareholders of the Company in respect of the framework agreement. The Company will continue to observe and assess how the abovementioned possible change in shareholding structure would in any way affect the implications of the transaction under the Listing Rules including without limitation Chapter 14A and make further disclosures as and when appropriate.

For details of the above, please refer to the announcements of the Company dated 19 December 2018 and 15 March 2019.

(B) Continuing Connected Transactions

In 2018, the Group entered into the following non-exempt continuing connected transactions (the "Non-exempt Continuing Connected Transactions") within the meaning of Chapter 14A of the Listing Rules, and is subject to certain reporting requirements:

2.1 Renewed Properties Leasing Agreements

On 12 March 2015, the Company and Greentown Holdings entered into certain leasing agreements, pursuant to which Greentown Holdings leased to the Company certain commercial properties for general commercial uses (the "Commercial Properties") and certain staff quarters as staff quarters of the Group for a term up to 31 December 2017. On 29 March 2018, the Company and Greentown Holdings entered into a properties leasing agreement (the "Renewed Properties Leasing Agreement") in respect of the Commercial Properties for a term up to 31 December 2020.

The annual cap for the rent payable by the Company under the Renewed Properties Leasing Agreement for each of the three years ended 31 December 2020 was RMB10 million.

As at the date of the Renewed Properties Leasing Agreement, as Greentown Holdings was wholly-owned by Mr SONG Weiping, Mr SHOU Bainian and Ms XIA Yibo (the spouse of Mr SONG Weiping) (collectively, the "Original Shareholders"), Greentown Holdings was a connected person of the Company and the transactions contemplated under the Renewed Properties Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Renewed Properties Leasing Agreements were disclosed in the announcements of the Company dated 29 March 2018 and 29 May 2018.

2.2 Renewed Advertising Services Agreement

On 12 March 2015, the Company and Zhejiang Greentown Football Club Company Limited* (浙江綠城足球俱樂部有限公司) (a non-wholly owned subsidiary of Greentown Holdings) (the "Football Club") entered into an advertising services agreement (the "Previous Advertising Services Agreement"), pursuant to which the Football Club agreed to provide advertising services to the Company including advertising the Company's "Greentown Real Estate" brand name at the football games and events participated by the Football Club for a term up to 31 December 2017. On 29 March 2018, the Company and the Football Club entered into an advertising services agreement (the "Renewed Advertising Services Agreement") in accordance with similar terms of the Previous Advertising Services Agreement for a term up to 31 December 2020.

The annual cap for the aggregate annual advertising fees payable by the Company under the Renewed Advertising Services Agreement for each of the three years ended 31 December 2020 was RMB100 million, RMB110 million and RMB121 million respectively.

As at the date of the Renewed Advertising Services Agreement, as Greentown Holdings was wholly-owned by the Original Shareholders, Greentown Holdings was a connected person of the Company. As at the date of the Renewed Advertising Services Agreement, as the Football Club was a non-wholly owned subsidiary of Greentown Holdings, the Football Club was a connected person of the Company and the transactions contemplated under the Renewed Advertising Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Renewed Advertising Services Agreement were disclosed in the announcements of the Company dated 29 March 2018 and 29 May 2018.

2.3 Renewed Comprehensive Services Agreement

On 12 March 2015, the Company, the Original Shareholders and Greentown Holdings entered into a comprehensive services agreement (the "Previous Comprehensive Services Agreement") in respect of the provision of interior decoration services and supply of raw materials to the Company for a term up to 31 December 2017. On 29 March 2018, the Company, the Original Shareholders and Greentown Holdings entered into a comprehensive services agreement (the "Renewed Comprehensive Services Agreement") in accordance with similar terms of the Previous Comprehensive Services Agreement for a term up to 31 December 2020.

(a) *Interior Decoration Services*
Pursuant to the Renewed Comprehensive Services Agreement, the Original Shareholders agreed to provide, through their associate(s), interior decoration services to the Company for the Company's property developments upon terms not less favourable than those the Original Shareholders offer to any third parties from time to time. The Company was not obliged to engage such services exclusively or at all from the Original Shareholders. By serving three months' prior written notice, the Company may terminate such services in respect of any of the Company's projects. The annual cap for the fees in respect of interior decoration services payable by the Company under the Renewed Comprehensive Services Agreement for each of the three years ended 31 December 2020 was RMB10 million.

As at the date of the Renewed Comprehensive Services Agreement, as the Original Shareholders were connected persons of the Company, the provision of interior decoration services by the Original Shareholders through their associates under the Renewed Comprehensive Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(b) *Supply of Raw Materials*
Pursuant to the Renewed Comprehensive Services Agreement, Greentown Holdings agreed to supply, through its associates, certain landscaping raw materials to the Company for the Company's property developments upon terms not less favourable than those Greentown Holdings offers to any third parties from time to time. The Company was not obliged to purchase such landscaping raw materials exclusively or at all from Greentown Holdings. By serving three months' prior written notice, the Company may terminate the purchase of such landscaping raw materials in respect of any specific supply contract. The annual cap for the costs in respect of the purchase of the aforesaid landscaping raw materials by the Company under the Renewed Comprehensive Services Agreement for each of the three years ended 31 December 2020 was RMB10 million.

As at the date of the Renewed Comprehensive Services Agreement, as Greentown Holdings was wholly-owned by the Original Shareholders, Greentown Holdings was a connected person of the Company and the transactions contemplated in paragraph (b) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Renewed Comprehensive Services Agreement were disclosed in the announcements of the Company dated 29 March 2018 and 29 May 2018.

2.4 Renewed Educational Services Framework Agreement

On 12 March 2015, the Company and Zhejiang Greentown Education Investment Co., Ltd.* (浙江綠城教育投資有限公司) ("Greentown Education") entered into an educational services framework agreement (the "Previous Educational Services Framework Agreement") for the provision of early educational participation services by Greentown Education to the Group in the Group's development projects. On 29 March 2018, the Company and Greentown Education entered into an educational services framework agreement (the "Renewed Educational Services Framework Agreement") in accordance with similar terms of the Previous Educational Services Framework Agreement for a term up to 31 December 2020. The services provided by Greentown Education mainly include: (i) participating in and advising on the initial decoration proposals and decoration work for the nursery and primary schools in the development projects of the Group; and (ii) assisting the Group in developing interest classes and summer camps, and related promotional activities. The services were charged according to government determined or directed price or, in absence of such government determination or direction, at market price (including tender price) which may be charged by an independent third party under normal commercial terms in respect of the provision of similar services in the same area, the vicinity or the PRC. The services under the Renewed Educational Services Framework Agreement were not exclusive and the Group may engage other service providers for the same services. The Company may also terminate the services provided by Greentown Education by serving three months' prior written notice. The annual cap for the fees in respect of the educational services payable by the Company under the Renewed Educational Services Framework Agreement for each of the three years ended 31 December 2020 was RMB10 million.

As at the date of the Renewed Educational Services Framework Agreement, as Greentown Education was wholly-owned by the Original Shareholders, Greentown Education was a connected person of the Company and the transactions contemplated under the Renewed Educational Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Renewed Educational Services Framework Agreement were disclosed in the announcements of the Company dated 29 March 2018 and 29 May 2018.

2.5 Renewed Healthcare Services Framework Agreement

On 12 March 2015, the Company and Zhejiang Greentown Hospital Investment Co., Ltd.* (浙江綠城醫院投資有限公司) ("Greentown Hospital") entered into a healthcare services framework agreement (the "Previous Healthcare Services Framework Agreement") for the provision of healthcare services to the Group for a term up to 31 December 2017. On 29 March 2018, the Company and Greentown Hospital entered into a healthcare services framework agreement (the "Renewed Healthcare Services Framework Agreement") in accordance with similar terms of the Previous Healthcare Services Framework Agreement for a term up to 31 December 2020. The services provided by Greentown Hospital mainly include: (i) providing healthcare and rehabilitation services; (ii) providing regular medical activities in respect of common or recurring diseases; (iii) establishing health database and developing health screening services; (iv) providing specific medical services; and (v) providing medical and living care services. The services were charged according to government determined or directed price or, in absence of such government determination or direction, at market price (including tender price) which may be charged by an independent third party under normal commercial terms in respect of the provision of similar services in the same area, the vicinity or the PRC. The services under the Renewed Healthcare Services Framework Agreement were not exclusive and the Group may engage other service providers for the same services. The Company may also terminate the services provided by Greentown Hospital by serving three months' prior written notice. The annual cap for the fees in respect of healthcare services payable by the Company under the Renewed Healthcare Services Framework Agreement for each of the three years ended 31 December 2020 was RMB10 million.

As at the date of the Renewed Healthcare Services Framework Agreement, as Greentown Hospital was controlled by the Original Shareholders, Greentown Hospital was a connected person of the Company and the transactions contemplated under the Renewed Healthcare Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Renewed Healthcare Services Framework Agreement were disclosed in the announcements of the Company dated 29 March 2018 and 29 May 2018. The annual amounts for each of the Non-exempt Continuing Connected Transactions for the year ended 31 December 2018 were as follows:

Transaction Amounts for the Year Ended 31 December 2018	RMB'000
Annual rental pursuant to the Renewed Properties Leasing Agreements	8,737
Advertising fees pursuant to the Renewed Advertising Services Agreement	94,340
Interior decoration service fees pursuant to the Renewed Comprehensive Services Agreement	–
Purchase cost of raw materials pursuant to the Renewed Comprehensive Services Agreement	–
Educational services fees pursuant to the Renewed Educational Services Framework Agreement	6,660
Healthcare services fees pursuant to the Renewed Healthcare Services Framework Agreement	111

The independent non-executive directors of the Company have reviewed the Non-exempt Continuing Connected Transactions and confirmed that they were:

(a) entered into by members of the Group in the ordinary and usual course of its business;

(b) on normal commercial terms or better; and

(c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the Non-Exempt Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In the opinion of the Directors, all the above transactions have been entered into in the ordinary and usual course of the Group's business and are conducted on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Interest in Competing Business

We set out below other directors' interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

Name of Director	Name of Competing Entity	Nature of Business of the Competing Entity	Nature of Interest of the Director in the Competing Entity
Mr SONG Weiping	Greentown Holdings	The development and sale of the Remaining Non-Inclusion Project (Note 1)	Director and substantial shareholder
Mr LI Qingan (Note 2)	CCCG Real Estate Group Company Limited* (中交房地產集團有限公司)	The development of properties and project investment	Director
Mr LI Yongqian (Note 2)	CCCG Real Estate Group Company Limited* (中交房地產集團有限公司)	The development of properties and project investment	Director

Note: (1) Among the eight property projects as referred to in the deed of non-competition dated 22 June 2006 and disclosed in the section headed "Business – Non-competition undertaking – Non-inclusion projects" in the prospectus of the Company dated 30 June 2006, so far as the Company is aware, there was only one project which remained on-going as at 31 December 2018 (the "Remaining Non-Inclusion Project").

(2) Mr Li Qingan and Mr Li Yongqian ceased to be directors of CCCG Real Estate Group Company Limited (中交房地產集團有限公司) since 10 September 2018.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales and the sales attributable to the Group's largest customer were less than 10% of the Group's total sales for the Year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases and the purchases attributable to the Group's largest supplier were less than 10% of the Group's total purchases for the Year.

At no time during the year ended 31 December 2018, a director, an associate of a director or a shareholder of the Company (who to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in any of the Group's five largest suppliers or customers.

Pre-Emptive Rights

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

Tax Relief

The Company is not aware of any relief from taxation available to shareholders of the Company by reason of their holding of Company's shares.

Donations

During the year ended 31 December 2018, the Company made charitable donations amounting to RMB157,500.

Annual General Meeting

The forthcoming AGM is proposed to be held on 14 June 2019 (Friday). A notice convening the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) From 11 June 2019 (Tuesday) to 14 June 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, Shareholders must lodge all transfers accompanied by the relevant share certificates with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 10 June 2019 (Monday); and

(ii) From 21 June 2019 (Friday) to 25 June 2019 (Tuesday), both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to the 2018 Final Dividend, if approved by the Shareholders at the AGM. In order to be eligible to the 2018 Final Dividend, Shareholders must lodge all transfers accompanied by the relevant share certificates with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 June 2019 (Thursday).

Auditor

The Consolidated Financial Statements of the Group for the year ended 31 December 2018 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

By order of the Board
Co-Chairman
SONG Weiping LIU Wensheng

21 March 2019

Deloitte. 德勤

TO THE MEMBERS OF GREENTOWN CHINA HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Greentown China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 123 to 290, which comprise the consolidated statement of financial position as at 31 December 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 31 December 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 ("IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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
Net realisable value for properties for development, properties under development and completed properties for sale	
We identified the net realisable value for properties for development, properties under development and completed properties for sale as a key audit matter as a significant management estimate is required in assessing the net realisable value. Properties for development, properties under development and completed properties for sale at the end of each reporting period are stated at the lower of cost and net realisable value.	Our procedures in relation to the management's assessment of the net realisable value of properties for development, properties under development and completed properties for sale included, among others: • Obtaining an understanding of key controls over cost budgeting for estimated costs to completion;

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Net realisable value for properties for development, properties under development and completed properties for sale	
Net realisable value for properties for development, properties under development is determined by reference to estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sales. Net realisable value for completed properties for sale is determined by reference to estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales. As disclosed in the consolidated financial statements, as at 31 December 2018, the carrying amounts of properties for development, properties under development and completed properties for sale are RMB22,842,799,000 (2017: RMB25,467,537,000), RMB117,876,867,000 (2017: RMB83,149,261,000) and RMB10,972,736,000 (2017: RMB20,650,760,000) respectively (net of accumulated impairment losses of RMB56,454,000 (2017: RMB nil), RMB270,351,000 (2017: RMB nil) and RMB379,741,000 (2017: RMB386,330,000) respectively).	• Assessing the reasonableness of estimated selling prices by comparing, on a sample basis, the management's estimation with most recent average selling prices with contracted sales of the underlying properties made to date or from current market prices of properties of comparable standards and locations; and • Assessing the reasonableness of estimated costs of completion by comparing, on a sample basis, the previous budgeted costs to actual development costs incurred, and checking to supporting documentation such as quantity surveyor reports and signed contracts.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties stated at fair value	
We identified the valuation of investment properties stated at fair value as a key audit matter due to the involvement of management's judgement in determining the fair value. As disclosed in note 16 to the consolidated financial statements, investment properties are carried in the consolidated statement of financial position at 31 December 2018 at their fair value of approximately RMB4,066,128,000 (2017: RMB2,716,396,000). The fair value was based on valuation on these properties conducted by the independent qualified professional valuer using property valuation techniques which adopt the investment approach by capitalising the net rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests, or where appropriate, by direct comparison approach by making reference to comparable sales transactions as available in the relevant markets. Favourable or unfavourable changes to the assumptions such as rental yield and estimation of future rentals would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.	Our procedures in relation to the valuation of investment properties included, among others: • Evaluating the appropriateness of the third party valuer's scope and assessed whether the third party valuer had sufficient expertise; • Obtaining an understanding of the valuation processes and the significant assumptions used in the valuation, namely the reversionary yield and market unit rent, from the management of the Group and the valuer; • Checking the source information provided by the management to the third party valuer to see if the source information is consistent with our records; and • Evaluating the appropriateness of the valuer's key assumptions by comparing yields on a sample of properties to external benchmark indices and comparing market unit rent used in the valuation on a sample of properties to comparable market transactions that we independently sourced from market data.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
As disclosed in note 5 to the consolidated financial statements, revenue from sales of properties is recognised over time when the Group's performance under a sales contract 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, the revenue is recognised at a point in time when the customer obtains control of the completed property. For the year ended 31 December 2018, revenue of the Group from sales of properties was RMB55,274,206,000, of which RMB9,337,145,000 was recognised over time. As disclosed in note 4 to the consolidated financial statements, 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 customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for such sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.	Our procedures in relation to the management's assessment of whether the Group has the enforceable right to payment in those sales contracts recognised over time, we have: • Obtaining an understanding of management's procedures in identifying and classifying sales contracts with or without right to payment; • Reviewing the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms; • Obtaining and reviewing the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and • Assessing the competence, experience and objectivity of the legal counsel engaged by the management.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
For the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on phases of the projects and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date.	Our procedures in relation to the management's assessment of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation included, among others: • Obtaining an understanding of key controls over cost budgeting for estimated costs to completion; and • Assessing the reasonableness of estimated costs of completion by comparing, on a sample basis, the previous budgeted costs to actual development costs incurred, and checking to supporting documentation such as quantity surveyor reports and signed contracts.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for Land Appreciation Tax ("LAT") We identified the provision for LAT as a key audit matter due to the complexity of estimation of LAT. The Group is subject to LAT in the PRC, as disclosed in note 4 to the consolidated financial statements, the provision for LAT amounting to RMB5,520,141,000 (2017: RMB3,463,172,000) (included in income taxes payable) is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognises land appreciation tax based on 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 and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.	Our procedures in relation to the provision for LAT included, among others: • Obtaining an understanding from the management of the Group in respect of the principal assumptions and judgements made in arriving at the provision for LAT; • Assessing the Group's provision for LAT computation prepared by the management of the Group with reference to relevant rules and regulations with the assistance of our taxation specialists; and • Checking the financial information, such as land costs, borrowing costs and the relevant property development expenditures, used in the calculation of provision for LAT to the Group's historical financial data. Furthermore, we assessed the adequacy and appropriateness of the disclosures in respect to the provision for LAT.

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 issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional 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 of the Company.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 Kay Man Wo, Dick.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue			
Goods and services	5	**60,217,014**	41,883,043
Rental		**85,496**	69,709
Total Revenue	5	**60,302,510**	41,952,752
Cost of sales		**(46,550,157)**	(33,877,152)
Gross profit		**13,752,353**	8,075,600
Other income	6	**1,860,271**	711,902
Other gains and losses	7	**(509,950)**	632,885
Selling expenses		**(1,844,396)**	(1,616,716)
Administrative expenses		**(3,895,426)**	(2,859,701)
Finance costs	8	**(1,551,663)**	(1,476,671)
Impairment losses on financial assets, net of reversal	9	**(1,282,734)**	(647,325)
Impairment losses on non-financial assets, net of reversal	9	**(452,100)**	(332,668)
Gain from changes in fair value of investment properties	16	**132,128**	253,400
Fair value changes on senior notes' early redemption options	32	**–**	(156,700)
Gain on re-measurement of associates and joint ventures to acquisition date fair value in business combination achieved in stages	37	**686,352**	1,623,535
Gain on acquisition of subsidiaries	37	**–**	13,806
Net gain on disposal of subsidiaries	38	**509,040**	1,619,765
Share of results of associates		**325,582**	557,962
Share of results of joint ventures		**174,515**	(8,306)
Profit before taxation	10	**7,903,972**	6,390,768
Taxation	12	**(5,528,742)**	(3,719,803)
Profit for the year		**2,375,230**	2,670,965
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income		**178,192**	–
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**–**	383,776
Other comprehensive income for the year (net of tax)		**178,192**	383,776
Total comprehensive income for the year		**2,553,422**	3,054,741
Profit for the year attributable to:			
Owners of the Company		**1,003,285**	2,189,598
Non-controlling interests		**1,371,945**	481,367
		2,375,230	2,670,965
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,181,477**	2,573,374
Non-controlling interests		**1,371,945**	481,367
		2,553,422	3,054,741
Earnings per share	14		
Basic		**RMB0.18**	RMB0.77
Diluted		**RMB0.18**	RMB0.77

Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**9,399,753**	7,713,259
Investment properties	16	**4,066,128**	2,716,396
Goodwill	17	**769,241**	769,241
Interests in associates	18	**8,998,556**	7,777,384
Interests in joint ventures	19	**1,839,788**	1,897,467
Equity instruments at fair value through other comprehensive income	20	**1,275,682**	–
Available-for-sale investments	21	**–**	983,830
Prepaid lease payment	22	**896,967**	738,163
Rental paid in advance		**18,332**	12,149
Deferred tax assets	23	**2,363,550**	1,586,225
Deposit for acquisition of an associate	24	**2,718,000**	–
		32,345,997	24,194,114
CURRENT ASSETS			
Properties for development	25	**22,842,799**	25,467,537
Properties under development	26	**117,876,867**	83,149,261
Completed properties for sale		**10,972,736**	20,650,760
Inventories		**119,503**	406,754
Trade and other receivables, deposits and prepayments	27	**6,253,199**	9,028,797
Contract assets and contract costs	28	**2,219,353**	–
Amounts due from related parties	48(ii)	**31,847,932**	28,346,684
Prepaid income taxes		**3,068,258**	4,266,197
Prepaid other taxes		**3,996,968**	3,001,285
Pledged bank deposits	29, 42	**4,871,831**	5,907,338
Bank balances and cash	29	**43,347,301**	30,070,092
		247,416,747	210,294,705
Assets classified as held for sale	38	**–**	1,339,427
		247,416,747	211,634,132
CURRENT LIABILITIES			
Trade and other payables	30	**29,285,142**	21,255,077
Pre-sale deposits		**–**	65,900,213
Contract liabilities	30	**66,266,875**	–
Amounts due to related parties	48(ii)	**26,728,482**	29,895,503
Income taxes payable		**7,690,830**	7,067,640
Other taxes payable		**1,984,054**	656,693
Bank and other borrowings	31	**13,482,996**	12,732,906
Corporate debt instruments	33	**3,998,222**	4,951,618
		149,436,601	142,459,650
Liabilities associated with assets classified as held for sale	38	**–**	1,128,538
		149,436,601	143,588,188

As at 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NET CURRENT ASSETS		**97,980,146**	68,045,944
TOTAL ASSETS LESS CURRENT LIABILITIES		**130,326,143**	92,240,058
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	**36,158,356**	24,449,759
Senior notes	32	**3,355,113**	3,149,003
Corporate debt instruments	33	**22,868,377**	10,831,086
Receipts under securitisation arrangements	34	**1,595,196**	1,591,891
Deferred tax liabilities	23	**6,230,261**	5,423,880
		70,207,303	45,445,619
		60,118,840	46,794,439
CAPITAL AND RESERVES			
Share capital	35	**209,501**	209,240
Reserves		**27,364,909**	26,269,450
Equity attributable to owners of the Company		**27,574,410**	26,478,690
Perpetual securities	36	**12,018,615**	8,603,949
Domestic perpetual securities	36	**3,389,700**	–
Non-controlling interests		**17,136,115**	11,711,800
		60,118,840	46,794,439

The consolidated financial statements on page 123 to 290 were approved and authorised for issue by the board of directors on 21 March 2019 and are signed on its behalf by:

ZHANG Yadong
DIRECTOR

LI Qingan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (i)	Statutory reserve RMB'000 (ii)	Share option reserve RMB'000	Investments revaluation reserve RMB '000	Retained earnings RMB'000	Subtotal RMB'000	Perpetual securities RMB'000	Domestic perpetual securities RMB'000	Non-controlling Interests RMB'000	Total RMB'000
At 1 January 2017	209,034	8,545,667	(1,508,393)	1,860,989	212,992	86,498	15,283,531	24,690,318	5,598,919	–	9,037,406	39,326,643
Profit for the year	–	–	–	–	–	–	2,189,598	2,189,598	–	–	481,367	2,670,965
Other comprehensive income for the year	–	–	–	–	–	383,776	–	383,776	–	–	–	383,776
Total comprehensive income for the year	–	–	–	–	–	383,776	2,189,598	2,573,374	–	–	481,367	3,054,741
Dividends recognised as distributions	–	–	–	–	–	–	(259,583)	(259,583)	–	–	–	(259,583)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,147,769)	(1,147,769)
Transfer (ii)	–	–	–	56,467	–	–	(56,467)	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	1,778	–	–	1,778	–	–	–	1,778
Exercise of share options	206	8,188	–	–	(2,429)	–	–	5,965	–	–	–	5,965
Issue of perpetual securities (note 36)	–	–	–	–	–	–	–	–	3,005,030	–	–	3,005,030
Distribution relating to perpetual securities (note 36)	–	–	–	–	–	–	(454,637)	(454,637)	–	–	–	(454,637)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	–	–	3,726,434	3,726,434
Purchase of additional interest in subsidiaries	–	–	(75,560)	–	–	–	–	(75,560)	–	–	(852,540)	(928,100)
Partial disposal of interest in subsidiaries	–	–	(2,965)	–	–	–	–	(2,965)	–	–	131,581	128,616
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(34,119)	(34,119)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	(116,069)	(116,069)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	485,509	485,509
At 31 December 2017	209,240	8,553,855	(1,586,918)	1,917,456	212,341	470,274	16,702,442	26,478,690	8,603,949	–	11,711,800	46,794,439
Adjustment on adoption of IFRS 9 and IFRS 15, net of tax (note 2)	–	–	–	–	–	39,693	1,028,556	1,068,249	–	–	566,058	1,634,307
At 1 January 2018 (restated)	209,240	8,553,855	(1,586,918)	1,917,456	212,341	509,967	17,730,998	27,546,939	8,603,949	–	12,277,858	48,428,746
Profit for the year	–	–	–	–	–	–	1,003,285	1,003,285	–	–	1,371,945	2,375,230
Other comprehensive income for the year	–	–	–	–	–	178,192	–	178,192	–	–	–	178,192
Total comprehensive income for the year	–	–	–	–	–	178,192	1,003,285	1,181,477	–	–	1,371,945	2,553,422
Dividends recognised as distributions (note 13)	–	–	–	–	–	–	(433,536)	(433,536)	–	–	–	(433,536)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(876,230)	(876,230)
Transfer (ii)	–	–	–	28,658	–	–	(28,658)	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	134,466	–	–	134,466	–	–	–	134,466
Exercise of share options	261	11,530	–	–	(3,512)	–	–	8,279	–	–	–	8,279
Issue of perpetual securities (note 36)	–	–	–	–	–	–	–	–	3,414,666	3,389,700	–	6,804,366
Distribution relating to perpetual securities (note 36)	–	–	–	–	–	–	(592,206)	(592,206)	–	–	–	(592,206)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	–	–	1,252,070	1,252,070
Purchase of additional interest in subsidiaries	–	–	(260,656)	–	–	–	–	(260,656)	–	–	(488,298)	(748,954)
Partial disposal of interest in subsidiaries	–	–	29,302	–	–	–	–	29,302	–	–	641,437	670,739
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	–	–	–	(18,650)	(18,650)
Liquidation of subsidiaries	–	–	–	–	–	–	(39,655)	(39,655)	–	–	(141,538)	(181,193)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	3,117,521	3,117,521
At 31 December 2018	209,501	8,565,385	(1,818,272)	1,946,114	343,295	688,159	17,640,228	27,574,410	12,018,615	3,389,700	17,136,115	60,118,840

Notes:

(i) Special reserve mainly represents changes in equity attributable to owners' of the Company risen from partial acquisition or disposal of subsidiaries. The changes are calculated based on the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received for the partial acquisition or disposal.

(ii) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the relevant companies in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**7,903,972**	6,390,768
Adjustments for:		
Share of results of associates	**(325,582)**	(557,962)
Share of results of joint ventures	**(174,515)**	8,306
Depreciation and amortisation	**471,451**	342,322
Impairment losses on financial assets, net of reversal	**1,282,734**	647,325
Impairment losses on non-financial assets, net of reversal	**452,100**	332,668
Interest income	**(1,530,440)**	(486,615)
Dividends from available-for-sale investments	**–**	(18,052)
Dividends from equity instruments at fair value through other comprehensive income	**(70,807)**	–
Finance costs	**1,551,663**	1,476,671
Net foreign exchange losses (gains)	**487,841**	(511,187)
Net loss on disposal of property, plant and equipment	**21,040**	5,626
Gain from changes in fair value of investment properties	**(132,128)**	(253,400)
Fair value changes on senior notes' early redemption options	**–**	156,700
Share-based payment expense	**134,466**	–
Gain on acquisition of subsidiaries	**–**	(13,806)
Net gain on disposal of subsidiaries	**(509,040)**	(1,619,765)
Gain on acquisition of associates	**–**	(36,337)
Loss (gain) on disposal of associates	**1,069**	(6,405)
Gain on re-measurement of associates and joint ventures to acquisition date fair value in business combination achieved in stages	**(686,352)**	(1,623,535)
Gain on fair value of acquisition of associates and a joint venture in stages	**–**	(78,956)
Operating cash flows before movements in working capital	**8,877,472**	4,154,366
Decrease (increase) in properties for development	**7,390,680**	(11,232,109)
Increase in properties under development	**(35,088,238)**	(15,085,535)
Decrease in completed properties for sale	**9,740,223**	9,497,500
Decrease (increase) in inventories	**40,462**	(260,221)
Increase in trade and other receivables, deposits and prepayments	**(179,225)**	(2,001,223)
Increase in contract assets and contract costs	**(687,868)**	–
Increase in prepaid other taxes	**(792,014)**	(400,261)
Increase in rental paid in advance	**(7,372)**	(3,523)
(Decrease) increase in pre-sale deposits	**(71,532,056)**	6,421,050
Increase in contract liabilities	**66,266,876**	–
Increase (decrease) in trade and other payables	**3,991,039**	(2,610,917)
Increase in other taxes payable	**750,486**	214,577
Cash used in operations	**(11,229,535)**	(11,306,296)
Income taxes paid	**(5,326,186)**	(3,777,065)
NET CASH USED IN OPERATING ACTIVITIES	**(16,555,721)**	(15,083,361)

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,541,103)**	(390,679)
Proceeds from disposal of property, plant and equipment		**20,315**	23,984
Purchase of investment property		**(879,583)**	(171,666)
Increase in prepaid lease payment		**(170,866)**	(22,606)
Investments in associates		**(1,223,380)**	(805,466)
Investments in joint ventures		**(279,927)**	(239,070)
Disinvestment in associates		**157,000**	8,000
Disinvestment in joint ventures		**185,000**	105,000
Dividends received from associates and joint ventures		**1,443,376**	1,063,102
Purchase of available-for-sale investments		**–**	(92,758)
Purchase of equity instruments at fair value through other comprehensive income		**(64,702)**	–
Dividends received from available-for-sale investments		**–**	18,052
Dividends received from equity instruments at fair value through other comprehensive income		**70,807**	–
Consideration paid for acquisition of subsidiaries and associates and relevant shareholders' loan recognised in prior year		**–**	(226,892)
Consideration received for disposal of subsidiaries and an associate recognised in prior year		**861,154**	91,635
Acquisition of subsidiaries which constitute business (net of cash and cash equivalents acquired)	37	**449,467**	1,536,263
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	38	**(359,670)**	1,899,909
Increase in deposit for acquisition of an associate		**(2,718,000)**	–
Receipt in advance for a subsidiary held for sale		**–**	190,157
Proceeds from disposal of interests in associates		**65,493**	30,358
Repayment from (advance to) third parties		**905,248**	(28,234)
Advance to related parties		**(29,113,709)**	–
Repayment from related parties		**15,146,206**	2,012,091
Decrease (increase) in pledged bank deposits		**1,035,507**	(3,617,983)
Interest received		**1,654,101**	166,793
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(14,357,266)**	1,549,990

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**46,526,172**	29,231,582
Repayment of bank and other borrowings	**(32,444,333)**	(28,219,908)
Interest paid	**(4,965,174)**	(4,025,873)
Senior notes repaid	**–**	(1,577,941)
Advance from borrowings from related parties	**33,661,370**	14,457,270
Repayment to borrowings from related parties	**(17,533,587)**	–
Contribution by non-controlling shareholders of subsidiaries	**3,117,521**	485,509
Dividends paid to owners of the Company	**(433,536)**	(259,583)
Dividends paid to non-controlling interests	**(876,230)**	(1,147,769)
Repayment of non-controlling shareholders capital contribution upon liquidation of subsidiaries	**(181,193)**	(116,069)
Proceeds from issue of domestic perpetual securities	**3,389,700**	–
Proceeds from issue of perpetual securities	**3,414,666**	3,005,030
Distribution relating to perpetual securities	**(592,206)**	(454,637)
Proceeds from issue of corporate debt instruments	**13,094,505**	8,834,377
Repayment of corporate debt instruments	**(2,064,377)**	–
Proceeds from issue of receipts under securitisation arrangements	**–**	1,590,140
Proceeds from exercise of share options	**8,279**	5,965
Purchase of additional interests in subsidiaries	**(748,954)**	(928,100)
Proceeds from partial disposal of subsidiaries	**670,739**	128,616
NET CASH FROM FINANCING ACTIVITIES	**44,043,362**	21,008,609
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,130,375**	7,475,238
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**30,070,092**	22,677,917
Effects of exchange rate changes on the balance of cash held in foreign currencies	**146,834**	(83,063)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**43,347,301**	30,070,092
REPRESENTED BY BANK BALANCES AND CASH	**43,347,301**	30,070,092

Notes to the Consolidated Financial Statements

1. General

Greentown China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 31 August 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The address of the registered office of the Company is disclosed in the section headed "Corporate Information" of the annual report.

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

The Company is an investment holding company. The principal activity of its subsidiaries (together with the Company referred to as the "Group") is the development for sale of residential properties in the PRC.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

New and Amendments 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 ("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-Int 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 IFRSs 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)

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 recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised 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 standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from contracts with customers under IFRS 15 from the following major sources:

- property sales
- hotel operations
- project management
- design and decoration
- sales of construction materials

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.

Summary of effects arising from initial application of IFRS 15

The following table summarises the impacts of transition to IFRS 15 on retained earnings at 1 January 2018:

	Notes	Impact of adopting IFRS 15 at 1 January 2018 RMB'000
Retained earnings		
Revenue from property sales recognised over time, net of tax	(a)	643,753
Recognition of contract costs, net of tax	(b)	103,282
Effects on share of results of associates and joint ventures, net of tax	(c)	515,938
Impact at 1 January 2018		1,262,973

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.1 IFRS 15 Revenue from Contracts with Customers (continued)

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

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

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000 notes (e)(f)	Remeasurement RMB'000 notes (a)(b)(c)(d)	**Carrying amounts under IFRS 15 at 1 January 2018* RMB'000**
Non-current Assets				
Interests in associates	7,777,384	–	334,698	**8,112,082**
Interests in joint ventures	1,897,467	–	181,240	**2,078,707**
Deferred tax assets	1,586,225	–	(85,284)	**1,500,941**
Current Assets				
Properties under development	83,149,261	–	(2,822,850)	**80,326,411**
Inventories	406,754	(228,333)	–	**178,421**
Trade and other receivables, deposits and prepayments	9,028,797	(254,670)	–	**8,774,127**
Contract assets and contract costs	–	483,003	1,002,108	**1,485,111**
Prepaid income taxes	4,266,197	–	(265,456)	**4,000,741**
Prepaid other taxes	3,001,285	–	(305,906)	**2,695,379**
Capital and Reserves				
Reserves	26,269,450	–	1,262,973	**27,532,423**
Non-controlling interests	11,711,800	–	566,058	**12,277,858**
Current Liabilities				
Trade and other payables	21,255,077	–	1,368,302	**22,623,379**
Pre-sale deposits	65,900,213	(65,900,213)	–	**–**
Income taxes payable	7,067,640	–	75,733	**7,143,373**
Other taxes payable	656,693	–	473,878	**1,130,571**
Contract liabilities	–	65,900,213	(6,033,541)	**59,866,672**
Non-current liabilities				
Deferred tax liabilities	5,423,880	–	325,147	**5,749,027**

* 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)

2.1 IFRS 15 Revenue from Contracts with Customers (continued)

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

Notes:

(a) The Group's contracts with customers for property sales are with no alternative use to the Group. Taking into account the contract terms, the legal and regulatory environment in the PRC, the contracts which are fully paid, non-mortgaged and online registered provide the Group an enforceable right to payment for performance completed to date and hence should be recognised overtime upon application of IFRS 15. The corresponding tax effect has been adjusted in respective tax assets or liabilities, as appropriate.

(b) The Group incurred incremental commission paid/payable to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred and were recognised in contract costs and amortised to selling expenses on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate upon the initial application of IFRS 15. The corresponding tax effect has been adjusted in respective tax assets or liabilities, as appropriate.

(c) The net effects arising from the initial application of IFRS 15 resulted in an increase in the carrying amounts of interests in associates/joint ventures respectively with corresponding adjustments to retained earnings.

(d) The Group adjusted the transaction price for the effects of any significant financing component for the contracts 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.

(e) At the date of initial application, unbilled revenue arising from project management contracts and decoration and design contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts, and hence were reclassified from trade and other receivables, deposits and prepayments and inventories to contract assets accordingly.

(f) At the date of initial application, pre-sale deposits was reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 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)

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
Non-current Assets			
Interests in associates	8,998,556	(380,520)	8,618,036
Interests in joint ventures	1,839,788	(246,611)	1,593,177
Deferred tax assets	2,363,550	(3,844)	2,359,706
Current Assets			
Properties under development	117,876,867	6,912,081	124,788,948
Inventories	119,503	504,455	623,958
Trade and other receivables, deposits and prepayments	6,253,199	1,994,589	8,247,788
Contract assets and contract costs	2,219,353	(2,219,353)	–
Prepaid income taxes	3,068,258	265,456	3,333,714
Prepaid other taxes	3,996,968	235,766	4,232,734
Capital and Reserves			
Reserves	27,364,909	(2,212,388)	25,152,521
Non-controlling interests	17,136,115	(843,387)	16,292,728
Current Liabilities			
Trade and other payables	29,285,142	53,734	29,338,876
Pre-sale deposits	–	78,023,184	78,023,184
Income taxes payable	7,690,830	(432,246)	7,258,584
Other taxes payable	1,984,054	(473,878)	1,510,176
Contract liabilities	66,266,875	(66,266,875)	–
Non-current liabilities			
Deferred tax liabilities	6,230,261	(786,125)	5,444,136

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (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 profit and loss and other comprehensive income

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Revenue	60,302,510	(7,988,691)	52,313,819
Cost of sales	(46,550,157)	5,982,591	(40,567,566)
Gross profit	13,752,353	(2,006,100)	11,746,253
Selling expenses	(1,844,396)	28,762	(1,815,634)
Finance costs	(1,551,663)	133,424	(1,418,239)
Share of results of associates	325,582	(45,822)	279,760
Share of results of joint ventures	174,515	(65,371)	109,144
Profit before taxation	7,903,972	(1,955,107)	5,948,865
Taxation	(5,528,742)	728,363	(4,800,379)
Profit for the year	2,375,230	(1,226,744)	1,148,486
Total comprehensive income for the year	2,553,422	(1,226,744)	1,326,678
Profit for the year attributable to:			
Owners of the Company	1,003,285	(949,415)	53,870
Non-controlling interests	1,371,945	(277,329)	1,094,616
	2,375,230	(1,226,744)	1,148,486
Total comprehensive income attributable to:			
Owners of the Company	1,181,477	(949,415)	232,062
Non-controlling interests	1,371,945	(277,329)	1,094,616
	2,553,422	(1,226,744)	1,326,678

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (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 taxation	7,903,972	(1,955,107)	5,948,865
Adjustments for:			
Share of results of associates	(325,582)	45,822	(279,760)
Share of results of joint ventures	(174,515)	65,371	(109,144)
Finance costs	1,551,663	(133,424)	1,418,239
Operating cash flows before movements in working capital	8,877,472	(1,977,338)	6,900,134
Increase in properties under development	(35,088,238)	(5,982,591)	(41,070,829)
Increase in trade and other receivables, deposits and prepayments	(179,225)	(716,630)	(895,855)
Increase in contract assets and contract costs	(687,868)	687,868	–
(Decrease) increase in pre-sale deposits	(71,532,056)	75,054,436	3,522,380
Increase in contract liabilities	66,266,876	(66,266,876)	–
Increase (decrease) in other taxes payable	750,486	(798,869)	(48,383)
Cash used in operations	(11,229,535)	–	(11,229,535)
Net cash used in operating activities	(16,555,721)	–	(16,555,721)

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, 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) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised 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)

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 financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments RMB'000	Equity instruments designated at fair value through other comprehensive income ("FVTOCI") RMB'000	Financial assets at amortised cost (previously classified as loans and receivables) RMB'000	Contract assets and contract costs RMB'000	Deferred tax assets/ (liabilities), net RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 – IAS 39		983,830	–	69,680,192	–	(3,837,655)	470,274	16,702,442
Effect arising from initial application of IFRS 15		–	–	(254,670)	1,485,111	(410,431)	–	1,262,973
Effect arising from initial application of IFRS 9								
Reclassification								
From available-for-sale investments	(a)	(983,830)	983,830	–	–	–	–	–
Remeasurement								
Impairment under ECL model	(b)	–	–	(312,556)	–	78,139	–	(234,417)
From cost to fair value	(a)	–	52,924	–	–	(13,231)	39,693	–
Opening balance at 1 January 2018		–	1,036,754	69,112,966	1,485,111	(4,183,178)	509,967	17,730,998

Notes:

(a) Available-for-sale investments

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale investments. 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, all its equity investments were reclassified from available-for-sale investments to equity instruments designated at FVTOCI. The fair value gains (net of tax) relating to those unquoted equity investments previously carried at cost less impairment under IAS 39 were adjusted to revaluation reserve as at 1 January 2018 with corresponding adjustments to equity instruments designated at FVTOCI and deferred tax liabilities respectively. The fair value gains relating to those investments previously carried at fair value continued to accumulate in revaluation reserve.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 IFRS 9 Financial Instruments (continued)

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

Notes: (continued)

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics and debtors' aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank balances, other receivables, deposits and amounts due from related parties, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition, except for certain other receivables and amounts due from related parties which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance has been recognised against retained earnings with corresponding tax effect being adjusted. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables RMB'000	Other financial assets at amortised cost RMB'000
At 31 December 2017 – IAS 39	56,375	1,005,388
Amounts remeasured through opening retained earnings	32,123	280,433
At 1 January 2018	88,498	1,285,821

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

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

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current Assets				
Interests in associates	7,777,384	334,698	–	**8,112,082**
Interests in joint ventures	1,897,467	181,240	–	**2,078,707**
Equity instruments at FVTOCI	–	–	1,036,754	**1,036,754**
Available-for-sale investments	983,830	–	(983,830)	**–**
Deferred tax assets	1,586,225	(85,284)	78,139	**1,579,080**
Others with no adjustments	11,949,208	–	–	**11,949,208**
	24,194,114	430,654	131,063	**24,755,831**
Current Assets				
Properties under development	83,149,261	(2,822,850)	–	**80,326,411**
Inventories	406,754	(228,333)	–	**178,421**
Trade and other receivables, deposits and prepayments	9,028,797	(254,670)	(129,601)	**8,644,526**
Amounts due from related parties	28,346,684	–	(182,955)	**28,163,729**
Contract assets and contract costs	–	1,485,111	–	**1,485,111**
Prepaid income taxes	4,266,197	(265,456)	–	**4,000,741**
Prepaid other taxes	3,001,285	(305,906)	–	**2,695,379**
Others with no adjustments	82,095,727	–	–	**82,095,727**
	210,294,705	(2,392,104)	(312,556)	**207,590,045**
Assets classified as held for sale	1,339,427	–	–	**1,339,427**
	211,634,132	(2,392,104)	(312,556)	**208,929,472**
Current Liabilities				
Trade and other payables	21,255,077	1,368,302	–	**22,623,379**
Pre-sale deposits	65,900,213	(65,900,213)	–	**–**
Income taxes payable	7,067,640	75,733	–	**7,143,373**
Other taxes payable	656,693	473,878	–	**1,130,571**
Contract liabilities	–	59,866,672	–	**59,866,672**
Others with no adjustments	47,580,027	–	–	**47,580,027**
	142,459,650	(4,115,628)	–	**138,344,022**
Liabilities associated with assets classified as held for sale	1,128,538	–	–	**1,128,538**
	143,588,188	(4,115,628)	–	**139,472,560**
Net Current Assets	68,045,944	1,723,524	(312,556)	**69,456,912**
Total Assets less Current Liabilities	92,240,058	2,154,178	(181,493)	**94,212,743**

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

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

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current liabilities				
Deferred tax liabilities	5,423,880	325,147	13,231	**5,762,258**
Others with no adjustments	40,021,739	–	–	**40,021,739**
	45,445,619	325,147	13,231	**45,783,997**
	46,794,439	1,829,031	(194,724)	**48,428,746**
Capital and Reserves				
Reserves	26,269,450	1,262,973	(194,724)	**27,337,699**
Non-controlling interests	11,711,800	566,058	–	**12,277,858**
Others with no adjustments	8,813,189	–	–	**8,813,189**
Total Equity	46,794,439	1,829,031	(194,724)	**48,428,746**

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

2.4 New and amendments to IFRSs in issue but not yet effective:

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
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[2]
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 IFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 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 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

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

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

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 recognised 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 and lease payments, as well as the impact of lease modifications, amongst others.

For the classification of cash flows, the Group currently present upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while 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 presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB222,828,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise 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.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

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

IFRS 16 *Leases* (continued)

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-Int 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-Int 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. The Group also elected the practical expedient not to apply for leases for which the lease term ends within 12 months at 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 recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020. The directors of the Company considered the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

3. Principal 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 of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties which are measured at fair values, as explained in the accounting policies set out 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 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

3. Principal Accounting Policies (continued)

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.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

3. Principal Accounting Policies (continued)

Basis of consolidation (continued)

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 relevant 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 recognised 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 derecognised. A gain or loss is recognised 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 recognised 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Principal Accounting Policies (continued)

Business combinations

Acquisitions of businesses 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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 of the acquisition-date amounts 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 recognised 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 either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

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 recognised 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 recognised in OCI 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. Principal Accounting Policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Acquisition of a subsidiary or a group of assets and liabilities not constituting a business

When the Group acquires a subsidiary or a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. Principal Accounting Policies (continued)

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, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise 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 or 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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 recognised 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 recognised immediately in profit or loss in the period in which the investment is acquired.

3. Principal Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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 *Impairment of Assets* 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, its accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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 recognised 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.

3. Principal Accounting Policies (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9/IAS 39, investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

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

Under IFRS 15, the Group recognises 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 recognised 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 or 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 recognised at a point in time when the customer obtains control of the distinct good or service.

3. Principal Accounting Policies (continued)

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

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.

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 recognise 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.

Variable consideration

For project management contracts that contain variable consideration based on the future pre-sales amount of the project, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only 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.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. Principal Accounting Policies (continued)

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

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.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

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 recognises sales commissions for property sales as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to selling expenses on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

3. Principal Accounting Policies (continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

Revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from pre-sales of properties are carried as pre-sale deposits.

Revenue from sales of other goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Comprehensive service income is recognised on sales or pre-sales of properties by comprehensive service users at agreed fee rates.

Dividend income from investments is recognised when the rights to receive payment have been established.

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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 recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Principal Accounting Policies (continued)

Leases (continued)

Leasehold land and buildings

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 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 amortised 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 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.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised 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.

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

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

3. Principal Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years 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.

3. Principal Accounting Policies (continued)

Taxation (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 in which the liability is settled or the asset is realised, based on tax rates (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 reflects 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 liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely 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 recognised in profit or loss, except when it relates to items that are recognised in OCI or directly in equity, in which case the current and deferred tax is also recognised in OCI or directly in equity respectively. Where 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.

For the year ended 31 December 2018

3. Principal Accounting Policies (continued)

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 other than construction in progress, are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy and, where appropriate, the amortisation of prepaid lease payments provided during the construction period. Such properties are classified to the appropriate category 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.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress 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 derecognised 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 recognised in profit or loss.

Investment properties

Investment properties are properties (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rentals and/or for capital appreciation.

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

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

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

3. Principal Accounting Policies (continued)

Impairment of tangible assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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.

When it is not possible to estimate the recoverable amount of an asset 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.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised 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 recognised as expenses. The assets capitalised 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 is estimated to be less than its carrying amount, the carrying amount of the asset (or a 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 mount 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 recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as gain immediately.

3. Principal Accounting Policies (continued)

Properties for development

Properties for development, representing leasehold land located in the PRC for development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights and other directly attributable costs. Net realisable 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 for development are transferred to properties under development upon commencement of development.

Properties under development

Properties under development, representing leasehold land and buildings located in the PRC under development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable 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 are transferred to completed properties for sale upon completion of development.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The Group transfers a property from completed properties for sale to investment property when there is a change of intention 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 commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Inventories

Inventories other than properties for development, properties under development and completed properties for sale are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Principal Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised 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.

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 amortised 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.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 financial assets at fair value through profit or loss ("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 recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. Principal 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)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised 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. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised 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 recognised 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 recognised in OCI and accumulated in the investments revaluation 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 recognised 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. Principal 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

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI 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 recognised in profit or loss. The net gain or loss recognised 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 of IFRS 9 in accordance with transitions in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from related parties, pledged bank deposits, bank balances), 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 recognises lifetime ECL for trade receivables and contract assets. 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 recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, 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. The Group considers pledged bank deposits and bank balances to have low credit risk because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with a good reputation.

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. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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 before the amount becomes past due.

(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).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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; or

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

(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 recognised in profit or loss.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(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 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.

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 (i.e. the Group's trade receivables, other receivables and amounts due from related parties are each assessed as a separate group);

- 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 amortised cost of the financial asset.

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

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

The Group's financial assets are classified into the following specified categories: FVTPL, loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 46(c).

(ii) 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, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

(iii) Available-for-sale investments

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

Equity held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale investments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For 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, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

Financial assets other than those FVTPL are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other 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.

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

For financial assets measured at amortised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in OCI.

Derecognition of financial assets

The Group derecognises 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

On derecognition of an available-for-sale investment the cumulative gain or loss previously accumulated in the available-for-sale revaluation reserve is reclassified to profit or loss.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

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 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including bank and other borrowings, trade and other payables, amounts due to related parties, liability portion of senior notes, corporate debt instruments and receipts under securitisation arrangements are subsequently measured at amortised cost, using the effective interest method.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Corporate bonds

Corporate bonds issued by a subsidiary of the Group that contain both liability and written put option (which is closely related to the host contract) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the corporate bonds are recognised at fair value.

In subsequent periods, the corporate bonds are carried at amortised cost using the effective interest method.

Transaction costs that relate to the issue of the corporate bonds are included in the carrying amount of the corporate bonds and amortised over the period of the corporate bonds using the effective interest method.

Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under assets backed securitization and amortised over the period of the arrangements using the effective interest method.

Perpetual Securities

Perpetual Securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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 1 January 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives (under IFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of IFRS 9 on 1 January 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Principal Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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 (share options 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 recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying accounting policies

The critical judgements, 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 recognised in the consolidated financial statements are disclosed below.

Timing of revenue recognition

Revenue from property sales is recognised 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; otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property. 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 customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Timing of revenue recognition (continued)

The Group recognises property sales revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on phases of the projects and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost occurred and accrued to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors. The Group recognised property sales revenue over time and a point in time amounted to RMB45,937,061,000 and RMB9,337,145,000 respectively for the year ended 31 December 2018.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred taxes of both enterprise income tax and land appreciation tax on changes in fair value of investment properties.

Key sources of estimation uncertainty

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Net realisable value for properties for development, properties under development and completed properties for sale

Properties for development, properties under development and completed properties remaining unsold at the end of each reporting period are stated at the lower of cost and net realisable value.

Net realisable value for properties for development and properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. During the course of their assessment, the management will also make reference to property valuations conducted by independent qualified professional valuers based on comparable market prices. The management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favourable than those projected by management, additional adjustments to the value of properties for development, properties under development and completed properties for sale may be required. As at 31 December 2018, the carrying amounts of properties for development, properties under development and completed properties for sale are RMB22,842,799,000 (2017: RMB25,467,537,000), RMB117,876,867,000 (2017: RMB83,149,261,000) and RMB10,972,736,000 (2017: RMB20,650,760,000) respectively (net of accumulated impairment losses of RMB56,454,000 (2017: RMB nil), RMB270,351,000 (2017: RMB nil) and RMB379,741,000 (2017: RMB386,330,000) respectively).

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2018 at their fair value of approximately RMB4,066,128,000 (2017: RMB2,716,396,000).

The fair value was based on valuation on these properties conducted by the independent qualified professional valuers using property valuation techniques which adopt the investment approach by capitalising the net rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests, or where appropriate, by direct comparison approach by making reference to comparable sales transactions as available in the relevant markets. Favourable or unfavourable changes to the assumptions such as rental yield and estimation of future rentals would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Land Appreciation Tax

The provision for Land Appreciation Tax ("LAT") amounting to RMB5,520,141,000 (2017: RMB3,463,172,000) (included in income taxes payable) is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognises land appreciation tax based on 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 and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

ECL allowance

The Group recognises a loss allowance for ECL on financial assets, including trade receivables, other receivables, amount due from related parties, pledged bank deposits, bank balances, contract assets and financial guarantee contracts, which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Significant judgements and estimations are required in determining the impairment assessment including the judgements on grouping basis for the provision matrix and the estimations on the expected loss rates used to calculate the ECL allowance. As at 31 December 2018, the carrying amount of trade receivables, contract assets, and other receivables and amounts due from related parties are RMB878,236,000, RMB1,887,085,000 and RMB35,797,417,000 respectively (net of accumulated ECL impairment loss of RMB101,266,000, RMB nil, and RMB2,593,247,000 respectively).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the discounted future cash flow estimations are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2018 was RMB769,241,000 (2017: RMB769,241,000) (net of accumulated impairment loss of RMB nil (2017: RMB nil)). Details of the impairment loss calculation are set out in note 17.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Coupon rate of the corporate bonds

The corporate bonds amounting to RMB11,098,976,000 (2017: RMB6,936,088,000) contain coupon rate adjustment right that allow the issuer of the corporate bonds to adjust the coupon rates of the remaining outstanding bonds under certain terms and conditions. The corporate bonds also contain written put options granting the investors of the corporate bonds right to sell back the bonds that will be triggered with the exercise of the Coupon Rate Adjustment Right. As at the reporting date of the consolidated financial statements, the Group had no plan nor intention to exercise the Coupon Rate Adjustment Right of the corporate bonds, therefore the effective interest rate charged for the year on the corporate bonds was calculated according to the original coupon rates and maturity dates of the corporate bonds. If the Group decided to exercise the Coupon Rate Adjustment Right of the corporate bonds, the effective interest rate would be different because the coupon rates of any remaining outstanding corporate bonds would be adjusted and the corporate bonds would become immediately repayable. Details of the corporate bonds are set out in note 33.

5. Revenue and Segment Information

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018						
	Property sales RMB'000	Hotel operations RMB'000	Project management RMB'000	Design and decoration RMB'000	Sales of construction materials RMB'000	Other business RMB'000	Total RMB'000
Recognised at a point in time	45,937,061	–	–	–	29,127	247,044	46,213,232
Recognised over time	9,337,145	776,452	1,366,485	2,523,700	–	–	14,003,782
Revenue from contracts with customers	55,274,206	776,452	1,366,485	2,523,700	29,127	247,044	60,217,014

(ii) Performance obligations for contracts with customers

Property sales

Revenue from property sales is recognised at a point in time in the ordinary course of business when the customers obtain control of the completed properties (ie. when the respective properties have been completed and delivered to the customers) expect for revenue from certain properties which have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date is recognised over time in accordance with the input method for measuring progress.

The Group receives 20%-80% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment result in contract liabilities being recognised until the corresponding revenue is recognised.

The Group considers certain advance payment 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 liability during the period of construction, it increases the amount of revenue recognised.

5. Revenue and Segment Information (continued)

A. For the year ended 31 December 2018 (continued)

(ii) Performance obligations for contracts with customers (continued)

Design and decoration service and project management service

Revenue from design and decoration service and project management service is recognised over time on input method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

The design and decoration service and project management service fees are invoiced to the clients periodically on an agreed-upon payment schedule and/or milestone between the customers and the Group. The Group recognised a contract asset over the period in which the design and decoration service and project management service are performed representing the Group's right to consideration for the services performed because the rights are conditional on the Group's future performance in achieving specified milestones. Contract asset is transferred to trade receivables at the point at which the rights become unconditional. Payments received before the related service is performed are included in the consolidated statement of financial position as contract liabilities.

For project management contracts that contain variable consideration based on the future pre-sales amount of the project, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The Group does not consider the advance payments pertain to design and decoration service and project management service to have contained significant financing component.

Hotel operations

The Group's performance obligation from hotel operations is mainly to provide accommodation services to guests. Revenue from accommodation service is recognised over time during the period when the rooms for accommodates are occupied.

Sales of construction materials

Revenue from sales of construction materials is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Payment of the transaction price is due immediately at the point the customer purchases the materials.

5. Revenue and Segment Information (continued)

A. For the year ended 31 December 2018 (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Property sales RMB'000	Project management RMB'000
Within one year	**42,879,582**	**1,490,714**
More than one year	**26,671,827**	**5,450,439**
	69,551,409	**6,941,153**

These amounts disclosed above do not include transaction price allocated to performance obligations which have been satisfied but not yet recognised due to variable consideration constraint.

All design and decoration service, hotel operations and sales of construction materials are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue from its major products and services is as follows:

	2017 RMB'000
Property sales	37,936,017
Hotel operations	717,153
Project management	931,145
Property rental income	69,709
Design and decoration	2,090,621
Sales of construction materials	67,556
Other business	140,551
	41,952,752

5. Revenue and Segment Information (continued)

C. Segment information

The chief operating decision-maker of the Group has been identified as the executive directors and certain senior management (collectively referred to as the "CODM"). Operating segments are determined based on the Group's internal reports which are submitted to the CODM for performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

The Group's consolidated revenue and results are attributable to the market in the PRC (country of domicile) and almost all of the Group's consolidated non-current assets are located in the PRC.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments, specifically, project management became an independent reportable segment. Prior year segment disclosures have been represented to conform with the current year's presentation.

The Group's reportable segments under IFRS 8 are as follows:

1 Property development

2 Hotel operations

3 Property investment

4 Project management

For the property development reportable segment, the CODM reviews the financial information of each property development project, hence each property development project constitutes a separate operating segment. However, the property development projects possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all property development projects are aggregated into one reportable segment for segment reporting purposes.

For the hotel operations reportable segment, the CODM reviews the financial information of each hotel, hence each hotel constitutes a separate operating segment. However, the hotels possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all hotels are aggregated into one reportable segment for segment reporting purposes.

5. Revenue and Segment Information (continued)

C. Segment information (continued)

For the property investment reportable segment, the CODM reviews the financial information of each investment property, hence each investment property constitutes a separate operating segment. However, the investment properties possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all investment properties are aggregated into one reportable segment for segment reporting purposes.

For the project management reportable segment, the CODM reviews the financial information of each project management project, hence each project management project constitutes a separate operating segment. However, the project management projects possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all project management projects are aggregated into one reportable segment for segment reporting purposes.

Other operating segments include sales of construction materials, design and decoration and other business. None of these segments met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in “Others”.

The CODM assesses the performance of the operating segments based on the post-tax profit of the group entities engaged in the respective segment activities, which includes share of results of joint ventures and associates and related finance costs, but excludes certain administrative expenses, other income, finance costs and taxation. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the consolidated financial statements as described in note 3.

Sales between segments are carried out on terms agreed between the counterparties.

No customers account for 10% or more of the Group’s revenue.

5. Revenue and Segment Information (continued)

C. Segment information (continued)

An analysis of the Group's revenue and results by segment is as follows:

	Property development RMB'000	Hotel operations RMB'000	Property investment RMB'000	Project management RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
For the year ended 31 December 2018								
Revenue from contracts with customers	55,274,206	776,452	–	1,366,485	2,799,871	60,217,014	–	60,217,014
Rental income	–	–	85,496	–	–	85,496	–	85,496
Total external segment revenue	55,274,206	776,452	85,496	1,366,485	2,799,871	60,302,510	–	60,302,510
Inter-segment revenue	–	2,045	–	65,892	1,361,254	1,429,191	(1,429,191)	–
Total	55,274,206	778,497	85,496	1,432,377	4,161,125	61,731,701	(1,429,191)	60,302,510
Segment results	2,101,885	98,181	103,613	345,475	45,066	2,694,220	8,041	2,702,261
Unallocated administrative expenses								(264,670)
Unallocated other income								40,591
Unallocated finance costs								(3,780)
Unallocated taxation								(99,172)
Profit for the year								2,375,230

(restated)	Property development RMB'000	Hotel operations RMB'000	Property investment RMB'000	Project management RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
For the year ended 31 December 2017								
Segment revenue								
External revenue	37,936,017	717,153	69,709	931,145	2,298,728	41,952,752	–	41,952,752
Inter-segment revenue	–	1,207	–	2,645	617,941	621,793	(621,793)	–
Total	37,936,017	718,360	69,709	933,790	2,916,669	42,574,545	(621,793)	41,952,752
Segment results	2,004,969	117,606	443,036	164,781	41,521	2,771,913	(2,176)	2,769,737
Unallocated administrative expenses								(90,936)
Unallocated other income								48,867
Unallocated finance costs								(4,822)
Unallocated taxation								(51,881)
Profit for the year								2,670,965

5. Revenue and Segment Information (continued)

C. Segment information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

Segment assets

	2018 RMB'000	2017 RMB'000 (restated)
Property development	**256,113,218**	216,864,883
Hotel operations	**9,483,752**	7,481,372
Property investment	**4,189,650**	3,446,170
Project management	**2,057,916**	2,227,307
Others	**6,820,664**	4,371,302
Total segment assets	**278,665,200**	234,391,034
Unallocated	**1,097,544**	1,437,212
Consolidated assets	**279,762,744**	235,828,246

Segment liabilities

	2018 RMB'000	2017 RMB'000 (restated)
Property development	**211,484,567**	181,559,336
Hotel operations	**292,476**	533,160
Property investment	**635,451**	91,933
Project management	**1,012,518**	720,298
Others	**5,387,529**	5,253,825
Total segment liabilities	**218,812,541**	188,158,552
Unallocated	**831,363**	875,255
Consolidated liabilities	**219,643,904**	189,033,807

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than bank balances and cash, pledge bank deposits, property, plant and equipment, available-for-sale investments, equity instruments at FVTOCI, trade and other receivables, deposits and prepayments, prepaid income taxes, prepaid other taxes and amounts due from related parties pertaining to non-operating group entities.

- all liabilities are allocated to operating segments other than trade and other payables, amounts due to related parties, income taxes payable, other taxes payable and deferred tax liabilities pertaining to non-operating group entities.

For the year ended 31 December 2018

5. Revenue and Segment Information (continued)

C. Segment information (continued)

Other segment information

For the year ended 31 December 2018

	Property development RMB'000	Hotel operations RMB'000	Property investment RMB'000	Project Management RMB'000	Others RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Addition to non current assets (note)	3,332,957	1,281,509	1,114,433	144,361	324,316	6,197,576	4,509	6,202,085
Interests in associates	8,364,698	–	–	58,561	488,212	8,911,471	87,085	8,998,556
Interests in joint ventures	1,831,350	–	–	8,438	–	1,839,788	–	1,839,788
Impairment loss on financial assets, net of reversal	1,206,182	–	–	–	15,729	1,221,911	60,823	1,282,734
Impairment loss on non-financial assets, net of reversal	468,875	(16,775)	–	–	–	452,100	–	452,100
Gain from changes in fair value of investment properties	–	–	(132,128)	–	–	(132,128)	–	(132,128)
Gain on re-measurement of joint ventures to acquisition date fair value in business combination achieved in stages	(686,352)	–	–	–	–	(686,352)	–	(686,352)
Net gain on disposal of subsidiaries	(509,194)	–	–	170	–	(509,024)	(16)	(509,040)
Depreciation of property, plant and equipment	171,842	256,174	10	11,336	11,383	450,745	1,360	452,105
Loss (gain) on disposal of property, plant and equipment	(251)	6	–	3,700	17,578	21,033	7	21,040
Interest income	(1,111,022)	(381)	(29)	(6,383)	(6,798)	(1,124,613)	(405,827)	(1,530,440)
Finance costs	1,514,115	6,321	12,846	327	14,274	1,547,883	3,780	1,551,663
Share of results of associates	(327,271)	–	–	1,684	2	(325,585)	3	(325,582)
Share of results of joint ventures	(201,944)	–	–	27,429	–	(174,515)	–	(174,515)
Taxation	5,293,594	4,593	51,601	–	79,782	5,429,570	99,172	5,528,742

5. Revenue and Segment Information (continued)

C. Segment information (continued)

Other segment information (continued)

For the year ended 31 December 2017 (restated)

	Property development RMB'000	Hotel operations RMB'000	Property investment RMB'000	Project Management RMB'000	Others RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Addition to non current assets (note)	896,513	225,860	171,666	18,516	351,467	1,664,022	12,522	1,676,544
Interests in associates	7,349,227	–	–	63,099	365,058	7,777,384	–	7,777,384
Interests in joint ventures	1,888,486	–	–	8,981	–	1,897,467	–	1,897,467
Impairment loss on financial assets, net of reversal	631,344	–	–	(11,747)	7,728	627,325	20,000	647,325
Impairment loss on non-financial assets, net of reversal	352,348	(19,680)	–	–	–	332,668	–	332,668
Gain from changes in fair value of investment properties	–	–	(253,400)	–	–	(253,400)	–	(253,400)
Gain on re-measurement of associates and a joint venture to acquisition date fair value in business combination achieved in stages	(1,620,517)	–	–	–	(3,018)	(1,623,535)	–	(1,623,535)
Gain on acquisition of subsidiaries	–	–	–	(280)	(13,526)	(13,806)	–	(13,806)
Net gain on disposal of subsidiaries	(1,240,939)	–	(375,805)	–	(3,021)	(1,619,765)	–	(1,619,765)
Depreciation of property, plant and equipment	126,099	170,691	184	11,688	10,547	319,209	1,970	321,179
Loss (gain) on disposal of property, plant and equipment	6,710	–	(122)	(679)	(299)	5,610	16	5,626
Interest income	(423,332)	(2,053)	(17)	(7,859)	(4,487)	(437,748)	(48,867)	(486,615)
Finance costs	1,442,853	686	11,977	658	15,675	1,471,849	4,822	1,476,671
Share of results of associates	(546,310)	–	–	(9,651)	(2,001)	(557,962)	–	(557,962)
Share of results of joint ventures	(355)	–	–	8,661	–	8,306	–	8,306
Taxation	3,320,469	5,430	224,334	87,706	29,983	3,667,922	51,881	3,719,803

Note: Non-current assets mainly included property, plant and equipment, investment properties (excluding gain from changes in fair value of investment properties), prepaid lease payment, interests in joint ventures, interests in associates and rental paid in advance and excluded financial instruments, goodwill and deferred tax assets.

For the year ended 31 December 2018

6. Other Income

	2018 RMB'000	2017 RMB'000
Interest income	**1,530,440**	486,615
Government grants (note)	**15,151**	6,704
Dividends from equity instruments at FVTOCI	**70,807**	–
Dividends from available-for-sale investments	**–**	18,052
Others	**243,873**	200,531
	1,860,271	711,902

Note: These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

7. Other Gains and Losses

	2018 RMB'000	2017 RMB'000
Net foreign exchange (losses) gains	**(487,841)**	511,187
Net loss on disposal of property, plant and equipment	**(21,040)**	–
(Loss) gain on disposal of associates	**(1,069)**	6,405
Gain on fair value of acquisition of associates and a joint venture in stages	**–**	78,956
Gain on acquisition of associates	**–**	36,337
	(509,950)	632,885

8. Finance Costs

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	**3,803,559**	2,630,914
Interest on senior notes (note 32)	**240,556**	366,084
Interest on corporate debt instruments (note 33)	**1,292,779**	680,681
Interest on receipts under securitisation arrangements (note 34)	**79,768**	40,074
	5,416,662	3,717,753
Less: capitalised in properties under development and construction in progress	**(3,864,999)**	(2,241,082)
	1,551,663	1,476,671

Borrowing costs capitalised during the year arose on the specific loan and general borrowing pool and are calculated by applying a capitalisation rate of 5.4% (2017: 5.4%) per annum to expenditure on the development of properties for sale and for own use.

For the year ended 31 December 2018

9. Impairment Losses on Financial Assets and Non-financial Assets, Net of Reversal

	2018 RMB'000	2017 RMB'000
Impairment for financial assets		
Impairment losses on trade and other receivables	**769,379**	216,226
Impairment losses on amounts due from related parties	**513,355**	431,099
	1,282,734	647,325
Impairment for non-financial assets		
Impairment losses on properties for development	**56,454**	–
Impairment losses on properties under development	**270,351**	–
Impairment losses on completed properties for sale	**123,648**	352,348
Impairment losses on inventories	**18,422**	–
Reversal of impairment losses on property, plant and equipment	**(16,775)**	(19,680)
	452,100	332,668
	1,734,834	979,993

10. Profit Before Taxation

	2018 RMB'000	2017 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Salaries and other benefits	**3,069,591**	2,515,126
Retirement benefits scheme contributions	**117,351**	88,747
Equity-settled share option expenses	**134,466**	1,778
Staff costs (including directors' emoluments)	**3,321,408**	2,605,651
Less: Capitalised in properties under development	**(860,475)**	(674,301)
	2,460,933	1,931,350
Depreciation of property, plant and equipment	**452,105**	321,179
Less: Capitalised in properties under development	**(9,840)**	(4,590)
	442,265	316,589
Amortisation of prepaid lease payment (included in administrative expenses)	**29,186**	25,733
Auditors' remuneration	**19,951**	17,315
Cost of properties and inventories recognised as an expense	**46,128,362**	33,564,920
Net loss on disposal of property, plant and equipment	**21,040**	5,626

11. Directors', Chief Executive's and Employees' Emoluments

The emoluments paid or payable to each of the 12 (2017: 11) directors and the chief executive of the Company were as follows:

	SONG Weiping RMB'000	LIU Wensheng RMB'000	SHOU Bainian[1] RMB'000	ZHANG Yadong[2] RMB'000	CAO Zhounan[3] RMB'000	LI Qingan RMB'000	LI Yongqian RMB'000	LI Jun[4] RMB'000	2018 Total RMB'000
Executive directors									
Fees	1,200	1,200	320	500	700	1,200	1,200	880	7,200
Other emoluments:									
Salaries and other benefits	3,800	3,800	–	1,375	1,925	1,500	1,500	880	14,780
Contributions to retirement benefits/pension schemes	105	116	–	47	46	116	116	90	636
Performance relate incentive payments (note)	4,990	4,990	–	1,875	2,625	2,800	2,800	1,467	21,547
Equity-settled share option expense	13,638	12,383	–	3,624	5,748	10,877	9,538	2,628	58,436
Sub-total	23,733	22,489	320	7,421	11,044	16,493	15,154	5,945	102,599

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

	JIA Shenghua RMB'000	SZE Tsai Ping, Michael RMB'000	KE Huanzhang RMB'000	HUI Wan Fai RMB'000	2018 Total RMB'000
Independent non-executive directors					
Fees	320	320	320	320	1,280
Other emoluments:	–	–	–	–	–
Salaries and other benefits	–	–	–	–	–
Contributions to retirement benefits/pension schemes	–	–	–	–	–
Performance relate incentive payments (note)	–	–	–	–	–
Sub-total	320	320	320	320	1,280

11. Directors', Chief Executive's and Employees' Emoluments (continued)

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

	2018 RMB'000
Total	**103,879**

	SONG Weiping RMB'000	LIU Wensheng RMB'000	SHOU Bainian RMB'000	SUN Guoqiang[5] RMB'000	CAO Zhounan RMB'000	LI Qingan RMB'000	LI Yongqian RMB'000	2017 Total RMB'000
Executive directors								
Fees	–	–	–	–	–	–	–	–
Other emoluments:								
Salaries and other benefits	5,000	1,200	1,200	1,200	4,500	1,500	1,500	16,100
Contributions to retirement benefits/pension schemes	86	–	–	–	75	105	105	371
Performance relate incentive payments (note)	4,990	–	2,760	–	4,500	4,000	4,000	20,250
Equity-settled share option expense	179	162	–	–	167	143	125	776
Sub-total	10,255	1,362	3,960	1,200	9,242	5,748	5,730	37,497

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

	JIA Shenghua RMB'000	SZE Tsai Ping, Michael RMB'000	KE Huanzhang RMB'000	HUI Wan Fai RMB'000	2017 Total RMB'000
Independent non-executive directors					
Fees	320	320	320	320	1,280
Other emoluments:	–	–	–	–	–
Salaries and other benefits	–	–	–	–	–
Contributions to retirement benefits/pension schemes	–	–	–	–	–
Performance relate incentive payments (note)	–	–	–	–	–
Sub-total	320	320	320	320	1,280

11. Directors', Chief Executive's and Employees' Emoluments (continued)

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

	2017 RMB'000
Total	38,777

1 Mr. SHOU Bainian was resigned as an executive director and ceased to be a member of the nomination committee and remuneration committee of the Company on 6 April 2018.

2 Mr. ZHANG Yadong was appointed as an executive director, a member of the nomination committee and remuneration committee of the Company in place of Mr CAO Zhounan on 1 August 2018.

3 Mr. CAO Zhounan was resigned as an executive director and ceased to be a member of the nomination committee of the Company on 1 August 2018.

4 Mr. LI Jun was appointed as an executive director on 6 April 2018.

5 Mr. SUN Guoqiang was resigned as an executive director and ceased to be a member of the remuneration committee of the Company on 1 August 2018.

Mr. ZHANG Yadong was appointed as a Chief Executive Office of the Company in place of Mr. CAO Zhounan on 1 August 2018 and their emoluments disclosed above include those for services rendered by them during their respective tenures as the Chief Executive Officer.

Note: The performance related incentive payments is determined as a percentage of the results of the Group for both years.

No directors waived any emoluments in both years.

Of the five individuals with the highest emoluments in the Group, all of them (2017: five) were directors of the Company whose emoluments are included in the disclosure above.

11. Directors', Chief Executive's and Employees' Emoluments (continued)

The individuals' emoluments were within the following bands:

	2018 No. of directors	2017 No. of directors
HKD4,500,001 to HKD5,000,000	**–**	1
HKD6,500,001 to HKD7,000,000	**–**	2
HKD10,500,001 to HKD11,000,000	**–**	1
HKD11,500,001 to HKD12,000,000	**–**	1
HKD13,000,001 to HKD13,500,000	**1**	–
HKD17,500,001 to HKD18,000,000	**1**	–
HKD19,000,001 to HKD19,500,000	**1**	–
HKD26,500,001 to HKD27,000,000	**1**	–
HKD28,000,001 to HKD28,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: five).

12. Taxation

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**2,373,034**	2,770,357
PRC Land Appreciation Tax ("LAT")	**4,782,105**	3,329,311
	7,155,139	6,099,668
(Over) under-provision in prior years:		
PRC enterprise income tax	**(23,492)**	28,426
Deferred tax:		
EIT	**(709,860)**	(1,228,591)
LAT	**(893,045)**	(1,179,700)
	(1,602,905)	(2,408,291)
	5,528,742	3,719,803

12. Taxation (continued)

The deferred tax current year is mainly due to the fair value adjustment which arises from the acquisition of subsidiaries.

No provision for income tax has been made for the Company and group entities incorporated in Hong Kong as they have no assessable profits derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% or 15%. Greentown Decoration Project Group Co., Ltd. ("Greentown Decoration Project Group") is a new technology enterprise and the applicable income tax rate from year 2018 to 2020 is 15%.

In addition, the EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% or 10% withholding tax under the EIT Law. A 10% withholding tax rate is applicable to the Group.

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

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**7,903,972**	6,390,768
Tax at the applicable PRC enterprise income tax rate of 25%	**1,975,993**	1,597,692
Effect of different tax rates	**(19,552)**	(162,364)
Tax effect of share of results of associates	**(81,396)**	(139,490)
Tax effect of share of results of joint ventures	**(43,629)**	2,077
Tax effect of income not taxable for tax purposes	**(191,190)**	(430,136)
Tax effect of expenses not deductible for tax purposes	**598,693**	772,116
(Over) under-provision in respect of prior year	**(23,492)**	28,426
Tax effect of deductible temporary differences not recognised	**39,390**	62,903
Tax effect of tax losses not recognised	**289,773**	366,646
Recognition of deferred tax assets on tax losses previously not recognised	**(21,615)**	–
Utilisation of tax losses previously not recognised	**(1,588)**	(73,830)
LAT provision for the year	**3,889,060**	2,149,611
Tax effect of LAT	**(972,265)**	(537,403)
Tax effect of undistributed profits	**90,560**	83,555
Tax charge for the year	**5,528,742**	3,719,803

Details of deferred taxation for the year ended 31 December 2018 are set out in note 23.

12. Taxation (continued)

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

According to the Notices for the Strengthening of Administration on LAT (關於加強土地增值稅管理工作的通知), the Group is required to pre-pay LAT on pre-sale proceeds at 0.5% – 3% for ordinary residential properties and 1% – 6% for other properties.

For the year ended 31 December 2018, the Group estimated and made a provision for LAT in the amount of RMB3,889,060,000 (2017: RMB2,149,611,000), according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

13. Dividends

On 18 July 2018, a final dividend for 2017 of RMB0.20 per ordinary share, or RMB433,536,000 in total, was paid to the shareholders.

A final dividend of RMB0.23 per ordinary share (2017: RMB0.20 per ordinary share) for the year ended 31 December 2018 has been proposed by the directors and is subject to approval by the Shareholders at the forthcoming annual general meeting.

14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2018 RMB'000	2017 RMB'000
Profit for the year attributable to the owners of the Company	**1,003,285**	2,189,598
Distribution related to perpetual securities and domestic perpetual securities	**(611,589)**	(527,144)
Earnings for the purpose of basic earnings per share	**391,696**	1,662,454
Earnings for the purpose of diluted earnings per share	**391,696**	1,662,454

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,167,671,034**	2,164,326,605
Effect of dilutive potential ordinary shares:		
Share options	**7,100,798**	4,789,104
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,174,771,832**	2,169,115,709

The computation of 2018 and 2017 diluted earnings per share does not assume the exercise of some of the share options because the exercise price of these share options was higher than the average market price for shares for the year.

For the year ended 31 December 2018

15. Property, Plant and Equipment

	Hotel buildings RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2017	5,851,000	394,631	104,118	26,780	450,615	309,651	895,303	8,032,098
Additions	–	17,283	38,488	5,784	77,827	33,508	359,164	532,054
Transfer from properties under development	–	–	–	–	–	–	1,120,724	1,120,724
Transfer	865,284	657,323	–	–	–	–	(1,522,607)	–
Disposals	–	(15,998)	(2,653)	(263)	(18,554)	(83,903)	–	(121,371)
Acquisition of subsidiaries (note 37)	–	1,335	3,210	4,252	15,187	3,829	–	27,813
Reclassification to held for sale	(232,605)	–	–	(1,937)	(6,729)	(4,580)	–	(245,851)
Disposal of subsidiaries	–	–	–	–	(38,613)	(5,233)	–	(43,846)
At 31 December 2017	6,483,679	1,054,574	143,163	34,616	479,733	253,272	852,584	9,301,621
Additions	1,068,239	161,988	49,473	5,817	102,433	37,122	451,757	1,876,829
Transfer from properties under development	–	–	–	–	–	–	410,245	410,245
Transfer to prepaid lease payment	–	–	–	–	–	–	(35,983)	(35,983)
Transfer to investment properties	–	–	–	–	–	–	(98,147)	(98,147)
Transfer	952,486	261,855	–	–	–	–	(1,214,341)	–
Disposals	–	(26,571)	(2,597)	–	(34,637)	(1,823)	–	(65,628)
Acquisition of subsidiaries (note 37)	–	–	41	61	1,692	1,311	–	3,105
Disposal of subsidiaries (note 38)	–	–	–	–	(885)	(2,316)	–	(3,201)
At 31 December 2018	**8,504,404**	**1,451,846**	**190,080**	**40,494**	**548,336**	**287,566**	**366,115**	**11,388,841**

For the year ended 31 December 2018

15. Property, Plant and Equipment (continued)

	Hotel buildings RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT								
At 1 January 2017	(801,386)	(96,288)	(77,136)	(25,674)	(266,986)	(217,993)	–	(1,485,463)
Provided for the year	(170,719)	(42,684)	(25,103)	(6,630)	(46,314)	(29,729)	–	(321,179)
Eliminated on disposals	–	3,854	2,653	232	17,303	67,719	–	91,761
Reclassification to held for sale	57,337	–	–	1,427	5,643	3,433	–	67,840
Eliminated on disposal of subsidiaries	–	–	–	–	34,102	4,897	–	38,999
Reversal of impairment losses on property, plant and equipment	19,680	–	–	–	–	–	–	19,680
At 31 December 2017	(895,088)	(135,118)	(99,586)	(30,645)	(256,252)	(171,673)	–	(1,588,362)
Provided for the year	(253,548)	(62,802)	(29,572)	(9,683)	(62,808)	(33,692)	–	(452,105)
Eliminated on disposals	–	5,300	2,245	–	25,561	1,317	–	34,423
Eliminated on disposal of subsidiaries (note 38)	–	–	–	–	106	75	–	181
Reversal of impairment losses on property, plant and equipment	16,775	–	–	–	–	–	–	16,775
At 31 December 2018	**(1,131,861)**	**(192,620)**	**(126,913)**	**(40,328)**	**(293,393)**	**(203,973)**	**–**	**(1,989,088)**
CARRYING VALUES								
At 31 December 2018	**7,372,543**	**1,259,226**	**63,167**	**166**	**254,943**	**83,593**	**366,115**	**9,399,753**
At 31 December 2017	5,588,591	919,456	43,577	3,971	223,481	81,599	852,584	7,713,259

15. Property, Plant and Equipment (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their residual value, at the following rates per annum:

Hotel buildings	Over the shorter of the term of the land use rights or 40 years
Leasehold land and buildings	Over the shorter of the term of the land use rights or 20 years
Leasehold improvements	Over the shorter of the lease term or five years
Machinery	10% to $33^1/_3$%
Furniture, fixtures and equipment	10% to $33^1/_3$%
Transportation equipment	10% to 20%

Details of the hotel buildings, leasehold land and buildings and construction in progress pledged to secure banking facilities granted to the Group are disclosed in note 42.

In view of the improving performance of the hotel operations, the Group engaged Cushman & Wakefield Limited to update their review of the Group's hotel buildings as at 31 December 2018 and as a result an impairment loss of RMB16,775,000 (as at 31 December 2017: RMB19,680,000) of hotel buildings was reversed during the year in respect of hotel buildings based on their 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 for which the estimates of future cash flows have not been adjusted. The discount rate used in measuring value in use was 9% (2017: 9%).

16. Investment Properties

	RMB'000
Fair value	
At 1 January 2017	1,981,500
Additions	171,666
Transfer from completed properties for sale	2,259,830
Disposal of a subsidiary	(1,950,000)
Unrealised gain on property revaluation included in profit or loss	253,400
At 31 December 2017	2,716,396
Additions	1,109,809
Transfer from property, plant and equipment and prepaid lease payment	107,795
Unrealised gain on property revaluation included in profit or loss	132,128
At 31 December 2018	4,066,128

During the year, the Group changed the purpose of hotel in Zhoushan Greentown Weilanhai'an Hotel Management Co., Ltd. from holding for its hotel operation to holding for earning rentals, accordingly the Group transferred the classification of the hotel building from property, plant and equipment and prepaid lease payment to investment property amounting to RMB107,795,000.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Limited.

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

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), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property in Hangzhou RMB31,500,000 (2017: RMB31,500,000)	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 6.5% (2017:6.5%).	The higher the reversionary yield, the lower the fair value.
		2. Market unit rent.	Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the market unit rent, the higher the fair value.
Commercial property in Zhuji RMB1,204,980,000 (2017: RMB1,204,980,000)	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 5% (2017:5%).	The higher the reversionary yield, the lower the fair value.
		2. Market unit rent.	Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the market unit rent, the higher the fair value.
Commercial property in Dalian RMB940,000,000 (2017: RMB940,000,000)	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 6% (2017:6.5%).	The higher the reversionary yield, the lower the fair value.
		2. Market unit rent.	Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the market unit rent, the higher the fair value.

16. Investment Properties (continued)

Carrying value of investment properties held by the Group in the consolidated statement of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial property in Qingdao RMB380,000,000 (2017: RMB367,063,000)	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 6% (2017:6%).	The higher the reversionary yield, the lower the fair value.
		2. Market unit rent.	Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the market unit rent, the higher the fair value.
Commercial property in Hangzhou RMB147,143,000 (2017: RMB147,143,000)	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 5.5% (2017:6%).	The higher the reversionary yield, the lower the fair value.
		2. Market unit rent.	Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the market unit rent, the higher the fair value.
Commercial property and carpark units in Shengzhou RMB25,710,000 (2017: RMB25,710,000)	Level 3	Direct comparison approach The Key inputs are: Market observable transactions adjusted to reflect the locations and conditions of the. subject property.	For commercial property: Price per square meter, using market direct comparable and taking into account of location, age and other individual factors which is RMB20,500 per square meter (2017: RMB20,500 per square meter)	The higher the price per square meter, the higher the fair value.
			For carpark units: Price per unit, which is RMB118,400 per unit (2017: RMB118,400 per unit).	The higher the price per unit, the higher the fair value.

For the year ended 31 December 2018

16. Investment Properties (continued)

Carrying value of investment properties held by the Group in the consolidated statement of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Office building and commercial property in Ji'nan RMB1,229,000,000	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and 2. Market unit rent.	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 7% and 5.5% for office building and commercial property respectively. Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the reversionary yield, the lower the fair value. The higher the market unit rent, the higher the fair value.
Hotel in Zhoushan RMB107,795,000	Level 3	Investment approach The Key inputs are: 1. Reversionary yield; and 2. Market unit rent.	Reversionary yield, taking into account annual rental income potential and unit market value of the comparable properties, of 5.5%. Market unit rent, using direct market comparables and taking into account of similar character, location and sizes.	The higher the reversionary yield, the lower the fair value. The higher the market unit rent, the higher the fair value.

Significant increases/(decreases) in the reversionary yield in isolation would result in a significantly lower/(higher) fair value of the investment properties. There is no indication that any slight increases/(decreases) in market unit rent in isolation would result in a significantly higher/(lower) fair value of the investment properties.

There were no transfer into or out of Level 3 during both years.

17. Goodwill

Cost

	2018 **RMB'000**	2017 RMB'000
At 1 January and at 31 December	**769,241**	769,241

The goodwill held by the Group as at 31 December 2018 arose on the acquisition of two subsidiaries that engaged in project management service in 2015. The detailed information is disclosed in the Group's 2015 consolidated financial statements.

Goodwill arose in the acquisition because the consideration paid for the acquisition effectively included the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impairment test on goodwill

For the purposes of impairment testing, goodwill set out above has been allocated to one cash generating unit ("CGU"). During the year ended 31 December 2018, the director considered that there is no impairment of CGU containing goodwill.

The basis of recoverable amount of the CGU and its major underlying assumptions is summarised below:

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 13.6% (2017: 12.5%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and director's expectations for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed its recoverable amount.

18. Interests in Associates

	2018 **RMB'000**	2017 RMB'000
Cost of unlisted investments in associates	**8,292,943**	6,491,250
Share of post-acquisition profits, net of dividends received	**705,613**	1,286,134
	8,998,556	7,777,384

No associate was individually material to the Group for the year.

18. Interests in Associates (continued)

As at 31 December 2018 and 2017, the Group had interests in the following principal associates established and operating in the PRC:

Name of associate	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
穎澤投資有限公司 Green Magic Investments Limited ("Green Magic")	HKD1,500,000,000	**40% (i)**	40% (i)	Investment holding
大連九龍倉綠城置業有限公司 Dalian Wharf Greentown Real Estate Co., Ltd. ("Dalian Wharf Greentown")	USD90,490,000	**40% (i)**	40% (i)	Real estate development
杭州濱綠房地產開發有限公司 Hangzhou Binlv Real Estate Development Co., Ltd. ("Hangzhou Binlv")	RMB60,000,000	**50% (ii)**	50% (ii)	Real estate development
網築集團有限公司 WZ Group Limited	USD50,000	**28% (iii)**	23%	Online Retailers
寧波都市房產開發有限公司 Ningbo Dushi Real Estate Development Co., Ltd.	USD200,000,000	**50%**	49%	Real estate development
上海浙鐵綠城房地產開發有限公司 Shanghai Zhetie Greentown Real Estate Development Co., Ltd.	RMB50,000,000	**38%**	38%	Real estate development
杭州翡翠城房地產開發有限公司 Hangzhou Hope Town Real Estate Development Co., Ltd.	RMB50,000,000	**45%**	45%	Real estate development
紹興金綠泉置業有限公司 Shaoxing Jinlvquan Real Estate Co., Ltd.	RMB580,000,000	**35%**	35%	Real estate development
濟南海爾綠城置業有限公司 Jinan Haier Greentown Real Estate Co., Ltd.	RMB140,000,000	**45%**	45%	Real estate development

18. Interests in Associates (continued)

Name of associate	Registered capital	Proportion of ownership interest/voting rights held by the Group 2018	2017	Principal activities
台州浙能綠城置業有限公司 Taizhou Zheneng Greentown Real Estate Co., Ltd.	RMB300,000,000	**49%**	49%	Real estate development
杭州浙能綠城置業有限公司 Hangzhou Zheneng Greentown Real Estate Co., Ltd.	RMB300,000,000	**49%**	49%	Real estate development
浙江鐵建綠城房地產開發有限公司 Zhejiang Tiejian Greentown Real Estate Development Co., Ltd.	RMB100,000,000	**38%**	38%	Real estate development
杭州百大置業有限公司 Hangzhou Baida Real Estate Co., Ltd.	RMB1,965,500,000	**30%**	30%	Real estate development
杭州賽麗綠城申花置業有限公司 Hangzhou Saili Greentown Shenhua Real Estate Co., Ltd.	RMB100,000,000	**25%**	25%	Real estate development
杭州紫元綠西房地產有限公司 Hangzhou Ziyuan Lvxi Real Estate Co., Ltd.	RMB100,000,000	**33%**	33%	Real estate development
北京東部綠城置業有限公司 Beijing Eastern Greentown Real Estate Co., Ltd.	RMB50,000,000	**49%**	49%	Real estate development
杭州海航綠城置業有限公司 Hangzhou Haihang Greentown Real Estate Co., Ltd.	RMB322,750,100	**40%**	40%	Real estate development
大冶有色綠城房地產開發有限公司 Daye Youse Greentown Real Estate Development Co., Ltd.	RMB160,000,000	**30%**	30%	Real estate development

18. Interests in Associates (continued)

Name of associate	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
山東財富縱橫置業有限公司 Shandong Caifu Zongheng Real Estate Co., Ltd.	RMB50,000,000	**39%**	39%	Real estate development
信陽市萬恒置業有限公司 Xinyang Wanheng Real Estate Co., Ltd.	RMB50,000,000	**20%**	20%	Real estate development
青島綠城華景置業有限公司 Qingdao Greentown Huajing Real Estate Co., Ltd	RMB2,000,000,000	**40%**	40%	Real estate development
義烏浙鐵綠城房地產開發有限公司 Yiwu Zhetie Greentown Real Estate Development Co., Ltd.	RMB200,000,000	**35%**	35%	Real estate development
杭州綠城墅園置業有限公司 Hangzhou Greentown Shuyuan Real Estate Co., Ltd.	RMB10,000,000	**30%**	30%	Real estate development
杭州地鐵武林置業有限公司 Hangzhou Metro Wulin Real Estate Co., Ltd.	RMB2,800,000,000	**45%**	45%	Real estate development
杭州安景置業有限公司 Hangzhou Anjing Real Estate Co., Ltd.	RMB100,000,000	**25%**	25%	Real estate development
浙江西子綠城房地產集團有限公司 Zhejiang Xizi Lvcheng Real Estate Group Co., Ltd.	RMB100,000,000	**40%**	40%	Real estate development
杭州龍昊房地產開發有限公司 Hangzhou Longhao Real Estate Co., Ltd.	RMB1,500,000,000	**23%**	23%	Real estate development
杭州綠城望溪房地產開發有限公司 Hangzhou Greentown Wangxi Real Estate Co., Ltd.	RMB600,000,000	**20%**	20%	Real estate development

18. Interests in Associates (continued)

Name of associate	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
杭州綠城桂溪房地產開發有限公司 Hangzhou Greentown Guixi Real Estate Co., Ltd.	RMB600,000,000	**20%**	20%	Real estate development
重慶綠華置業發展有限公司 Chongqin Lvhua Real Estate Co., Ltd.	RMB900,000,000	**49% (iv)**	–	Real estate development
安徽綠雋置業有限公司 Anhui Lvjun Real Estate Co., Ltd.	RMB100,000,000	**50% (iv)**	–	Real estate development
杭州余杭綠城九洲房地產開發有限公司 Hangzhou Yuhang Greentown Jiuzhou Real Estate Development Co., Ltd.	RMB85,000,000	**– (v)**	35%	Real estate development
杭州綠城金久房地產開發有限公司 Hangzhou Greentown Jinjiu Real Estate Development Co., Ltd.	RMB20,000,000	**– (v)**	40%	Real estate development
浙江中青旅綠城投資置業有限公司 Zhejiang Zhongqinglv Greentown Investment Real Estate Co., Ltd.	RMB200,000,000	**– (v)**	49%	Investment holding and consulting

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(i) Dalian Wharf Greentown is a subsidiary of Green Magic.

(ii) Only two out of five directors of Hangzhou Binlv are appointed by the Group, while a valid board resolution requires half of the total votes. The Group thus does not have the power to control or jointly control Hangzhou Binlv. Therefore, Hangzhou Binlv is accounted for as an associate of the Group.

(iii) In 2018, Eternity Wealth Investments Limited, a wholly-owned subsidiary of the Company, entered into a framework agreement to acquire additional 5% equity interest in WZ Group Limited, an online retailers company, for a total cash consideration of approximately RMB118,009,000. The Group previously held 27,799,207 ordinary shares in WZ Group Limited, equivalent to 23% equity interest, and classified the investments as an associate.

(iv) These companies were newly established in 2018.

(v) These companies were liquidated in 2018.

For the year ended 31 December 2018

18. Interests in Associates (continued)

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Group's share of total profit for the year	**325,582**	557,962
Aggregate carrying amount of the Group's interests in these associates	**8,998,556**	7,777,384

The Group has discontinued recognition of its share of losses of certain associates as its share of losses of those associates equals or exceeds its interests in those associates. The amounts of unrecognised share of losses of these associates, both for the year and cumulatively, are as follows:

	2018 RMB'000	2017 RMB'000
Unrecognised share of losses of associates for the year	**258,066**	138,563
Accumulated unrecognised share of losses of associates	**549,599**	291,533

19. Interests in Joint Ventures

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in joint ventures	**1,692,393**	1,760,576
Share of post-acquisition profits, net of dividends received	**147,395**	136,891
	1,839,788	1,897,467

19. Interests in Joint Ventures (continued)

As at 31 December 2018 and 2017, the Group had interests in the following principal joint ventures established and operating in the PRC:

Name of joint venture	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
浙江鐵投綠城投資有限公司 Zhejiang Tietou Greentown Investment Co., Ltd. ("Zhejiang Tietou Greentown Investment")	RMB80,000,000	**50%** **(i)**	50% (i)	Investment holding
浙江鐵投綠城房地產開發有限公司 Zhejiang Tietou Greentown Real Estate Development Co., Ltd. ("Zhejiang Tietou Greentown Real Estate")	RMB80,000,000	**–** **(i)**	50% (i)	Real estate development
盈高有限公司 Profit Pointer Limited	HKD10,000	**50%** **(ii)**	50% (ii)	Investment holding
瀋陽全運村建設有限公司 Shenyang National Games Village Construction Co., Ltd. ("Shenyang National Games Village")	USD290,000,000	**50%** **(ii)**	50% (ii)	Real estate development
紹興綠城寶業房地產開發有限公司 Shaoxing Greentown Baoye Real Estate Co., Ltd. ("Shaoxing Greentown Baoye")	RMB100,000,000	**51%** **(iii)**	51% (iii)	Real estate development
山東東城置業有限公司 Shandong Dongcheng Real Estate Co., Ltd. ("Shandong Dongcheng")	RMB200,000,000	**49%** **(iv)**	49% (iv)	Real estate development
嵊州綠城越劇小鎮投資有限公司 Shengzhou Greentown Shaoxing Opera Town Investment Co., Ltd. ("Shengzhou Shaoxing Opera Town")	RMB100,000,000	**33%** **(v)**	33% (v)	Real estate development
寧波軌道交通綠城置地有限公司 Ningbo Rail Transit Greentown Real Estate Co., Ltd. ("Ningbo Rail Transit")	RMB100,000,000	**51%** **(vi)**	51% (vi)	Real estate development

For the year ended 31 December 2018

19. Interests in Joint Ventures (continued)

Name of joint venture	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
浙江綠西房地產集團有限公司 Zhejiang Lvxi Real Estate Group Co., Ltd.	RMB100,000,000	**50%**	50%	Investment holding, real estate development and business consulting
浙江金盈置業有限公司 Zhejiang Jinying Real Estate Co., Ltd.	RMB50,000,000	**50%**	50%	Real estate development
杭州臨宜房地產開發有限公司 Hangzhou Linyi Real Estate Development Co., Ltd.	RMB239,800,000	**50%**	50%	Real estate development
杭州綠城鳳起置業有限公司 Hangzhou Greentown Fengqi Real Estate Co., Ltd.	RMB50,000,000	**50%**	50%	Real estate development
浙江綠城足球俱樂部有限公司 Zhejiang Greentown Football Club Co., Ltd. ("Football Club")	RMB50,000,000	**50% (vii)**	–	Club operation
濟南東創置業有限公司 Jinan Dongchuang Real Estate Co., Ltd. ("Ji'nan Dongchuang")	RMB300,000,000	**N/A (viii)**	50%	Real estate development
余姚綠城房地產開發有限公司 Yuyao Greentown Real Estate Development Co., Ltd. ("Yuyao Greentown")	RMB99,000,000	**N/A (ix)**	47% (ix)	Real estate development
舟山綠城海盛置業發展有限公司 Zhoushan Greentown Haisheng Real Estate Development Co., Ltd. ("Zhoushan Greentown Haisheng")	RMB100,000,000	**N/A (x)**	51% (x)	Real estate development
杭州西溪山莊房地產開發有限公司 Hangzhou Xixi Villa Real Estate Development Co., Ltd. ("Hangzhou Xixi")	RMB80,000,000	**N/A (xi)**	50%	Real estate development

19. Interests in Joint Ventures (continued)

Name of joint venture	Registered capital	Proportion of ownership interest/voting rights held by the Group		Principal activities
		2018	2017	
徐州新盛綠城置業發展有限公司 Xuzhou Xinsheng Real Estate Development Co., Ltd. ("Xuzhou Xinsheng")	RMB100,000,000	**60% (xii)**	60% (xii)	Real estate development
海寧綠城新湖房地產開發有限公司 Haining Greentown Sinhoo Real Estate Development Co., Ltd.	RMB20,000,000	**– (xiii)**	50%	Real estate development
杭州綠城北秀置業有限公司 Hangzhou Greentown Beixiu Real Estate Co., Ltd.	RMB50,000,000	**– (xiii)**	50%	Real estate development

The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(i) Zhejiang Tietou Greentown Real Estate was a subsidiary of Zhejiang Tietou Greentown Investment and was liquidated in 2018.

(ii) Shenyang National Games Village is a subsidiary of Profit Pointer Limited.

(iii) Three out of five directors of Shaoxing Greentown Baoye are appointed by the Group, while a valid board resolution requires unanimous approval from all directors. Therefore, Shaoxing Greentown Baoye is accounted for as a joint venture of the Group.

(iv) Two out of five directors of Shandong Dongcheng are appointed by the Group and the remaining three directors by the other equity holder, while a valid board resolution requires four-fifths of the total votes. Decisions about relevant activities of Shandong Dongcheng require unanimous consent from the Group and the other equity holder. Therefore, Shandong Dongcheng is accounted for as a joint venture of the Group.

(v) Two out of five directors of Shengzhou Shaoxing Opera Town are appointed by the Group, while a valid board resolution requires two-third above approval from all directors. Decisions about relevant activities of Shengzhou Shaoxing Opera Town require unanimous consent from the Group and the other equity holders. Therefore, Shengzhou Shaoxing Opera Town is accounted for as a joint venture of the Group.

(vi) Decisions about relevant activities of Ningbo Rail Transit require unanimous consent from the Group and the other equity holders on the general meeting. Therefore, Ningbo Rail Transit is accounted for as a joint venture of the Group.

(vii) In January 2018, the Group disposed of its entire 100% equity interests in Hangzhou Rose Garden Resort Co., Ltd. ("Hangzhou Rose Garden Resort") to a shareholder's company for an acquisition of 50% equity interest in Football Club held by the shareholder's company at the consideration of RMB331,370,000. For details, please refer to note 38.

19. Interests in Joint Ventures (continued)

Notes: (continued)

(viii) The Group obtained control over Ji'nan Dongchuang by agreement of acting in concert with another shareholder which held the rest of 50% equity interests in 2018. Ji'nan Dongchuang was previously a joint venture of the Group. For details, please refer to note 37.

(ix) In 2018, the Group acquired 100% equity interest of Hangzhou Shuoli Investment Management Co., Ltd. ("Hangzhou Shuoli") from an independent third party, for a total cash consideration of RMB100,000. Yuyao Greentown was previously a 47%-owned joint venture of the Group and Hangzhou Shuoli held 53% equity interests of Yuyao Greentown, therefore Yuyao Greentown were also acquired by the Group. For details, please refer to note 37. Before the acquisition, two out of five directors of Yuyao Greentown are appointed by the Group, while a valid board resolution requires unanimous approval from all directors. Therefore, Yuyao Greentown was accounted for as a joint venture of the Group then.

(x) In 2018, Zhoushan Greentown Real Estate Co., Ltd. ("Zhoushan Greentown"), a wholly-owned subsidiary of the Company, entered into a framework agreement to acquire the remaining 49% equity interest in Zhoushan Greentown Haisheng from an independent third party, for a total cash consideration of RMB49,000,000. For details, please refer to note 37. Before the acquisition, three out of four directors of Zhoushan Greentown Haisheng are appointed by the Group, while decisions about relevant activities of Zhoushan Greentown Haisheng require unanimous consent from the Group and the other equity holders. Therefore, Zhoushan Greentown Haisheng was accounted for as a joint venture of the Group then.

(xi) In 2018, Hangzhou Nuozhen Investment Co., Ltd., a wholly-owned subsidiary of the Company, entered into a framework agreement to acquire the additional 30% equity interest in Hangzhou Xixi from an independent third party, for a total cash consideration of RMB26,760,000.00. For details, please refer to note 37.

(xii) Three out of five directors of Xuzhou Xinsheng are appointed by the Group, while a valid board resolution requires unanimous approval from all directors. Therefore, Xuzhou Xinsheng is accounted for as a joint venture of the Group.

(xiii) These companies were liquidated in 2018.

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Joint venture Company A

	2018 RMB'000	2017 RMB'000
Current assets	**1,257,098**	2,073,910
Non-current assets	**1,146**	20,524
Current liabilities	**859,110**	2,103,894
Non-current liabilities	**3,950**	–

19. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Joint venture Company A (continued)

The above amounts of assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	359,950	193,057
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

	2018 RMB'000	2017 RMB'000
Revenue	2,218,882	772,905
Profit (loss) for the year	336,763	(21,058)

The above profit for the year includes the following:

	2018 RMB'000	2017 RMB'000
Depreciation and amortisation	575	284
Interest income	14,242	1,895
Income tax expense	327,132	(5,987)

19. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Joint venture Company A (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets (liabilities) of Joint venture Company A	395,184	(9,460)
Proportion of the Group's ownership interest in Joint venture Company A (note i)	60%	60%
Other adjustments (note ii)	–	5,676
Carrying amount of the Group's interest in Joint venture Company A	237,110	–

Note i: Three out of five directors of Joint venture Company A are appointed by the Group, while a valid board resolution requires unanimous approval from all directors. Therefore, Joint venture Company A is accounted for as a joint venture of the Group.

ii: The other adjustment is the unrecognised loss in Joint venture Company A.

Aggregate information of joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
Group's share of losses for the year	(27,543)	(1,347)

19. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Aggregate information of joint ventures that are not individually material: (continued)

The Group has discontinued recognition of its share of losses of certain joint ventures as its share of losses of those joint ventures equals or exceeds its interests in those joint ventures. The amounts of unrecognised share of losses of these joint ventures, both for the year and cumulatively, are as follows:

	2018 RMB'000	2017 RMB'000
Unrecognised share of losses of joint ventures for the year	**10,126**	346,252
Accumulated unrecognised share of losses of joint ventures	**858,472**	1,503,968

20. Equity Instruments at Fair Value through Other Comprehensive Income

	2018 RMB'000
Listed investments:	
– Equity securities listed in Hong Kong (note i)	**730,162**
Unlisted equity securities (note ii)	**545,520**
	1,275,682

Notes:

(i) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(ii) The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they are held for the long term primarily with the objective of strengthening business relationships.

For the year ended 31 December 2018

21. Available-For-Sale Investments

Available-for-sale investments comprise:

	2017 RMB'000
Equity securities listed in Hong Kong, at fair value	710,519
Unlisted equity securities, at cost	273,311
	983,830

22. Prepaid Lease Payment

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	**26,154**	23,983
Non-current asset	**896,967**	738,163
	923,121	762,146

23. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Temporary differences on revenue recognition and related cost of sales RMB'000	Impairment losses RMB'000	Tax losses RMB'000	Fair value adjustments RMB'000	LAT provision RMB'000	Undistributed profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	160,423	145,443	437,787	(3,933,632)	543,984	(572,184)	(221,815)	(3,439,994)
(Charge) credit to profit or loss	(6,113)	95,424	(174,703)	2,138,799	231,593	50,000	73,290	2,408,290
Acquisition of subsidiaries (note 37)	–	–	151,130	(3,130,082)	–	–	–	(2,978,952)
Disposal of subsidiaries	–	–	–	194,536	–	–	–	194,536
Transfer to held for sale	–	–	(14,030)	–	(7,505)	–	–	(21,535)
At 31 December 2017	154,310	240,867	400,184	(4,730,379)	768,072	(522,184)	(148,525)	(3,837,655)
Adjustments (note 2)	(539,674)	78,139	–	44,705	71,307	–	–	(345,523)
At 1 January 2018 (restated)	**(385,364)**	**319,006**	**400,184**	**(4,685,674)**	**839,379**	**(522,184)**	**(148,525)**	**(4,183,178)**
Charge to other comprehensive income	**–**	**–**	**–**	**(52,851)**	**–**	**–**	**–**	**(52,851)**
(Charge) credit to profit or loss	**(500,740)**	**312,712**	**44,408**	**1,638,171**	**47,208**	**(35,000)**	**96,146**	**1,602,905**
Acquisition of subsidiaries (note 37)	**(49,009)**	**10,837**	**176,825**	**(1,379,092)**	**7,322**	**–**	**–**	**(1,233,117)**
Disposal of subsidiaries (note 38)	**–**	**–**	**(470)**	**–**	**–**	**–**	**–**	**(470)**
At 31 December 2018	**(935,113)**	**642,555**	**620,947**	**(4,479,446)**	**893,909**	**(557,184)**	**(52,379)**	**(3,866,711)**

The addition in deferred tax liabilities during current year is mainly due to fair value adjustment of properties under development from the acquisition of subsidiaries. Deferred tax liability credited to the profit or loss for the year was mainly due to sales of properties under development acquired with fair value adjustment and recognition of revenue from sales of properties over time.

Others represent mainly deferred tax liabilities recognised in respect of temporary differences arising from accelerated tax depreciation and capitalised interest expense.

23. Deferred Taxation (continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**2,363,550**	1,586,225
Deferred tax liabilities	**(6,230,261)**	(5,423,880)
	(3,866,711)	(3,837,655)

At the end of the reporting period, the Group had deductible temporary differences of RMB157,561,000 (2017: RMB259,200,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group had unutilised tax losses of RMB6,619,705,000 (2017: RMB5,596,655,000) available for offset against future profits. Deferred tax asset has been recognised in respect of RMB2,483,781,000 (2017: RMB1,600,727,000) of such losses.

Based on the latest budgets, the management believes that there will be sufficient future profits for the realisation of the deferred tax assets recognised in respect of these tax losses. No deferred tax asset has been recognised in respect of the remaining RMB4,135,924,000 (2017: RMB3,995,928,000) due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2018 RMB'000	2017 RMB'000
2018	**–**	883,605
2019	**478,184**	448,424
2020	**916,699**	908,523
2021	**1,146,284**	1,151,891
2022	**435,665**	603,485
2023	**1,159,092**	–
	4,135,924	3,995,928

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of certain temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB14,854,940,000 (31 December 2017: RMB14,371,980,000) 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.

24. Deposit for Acquisition of an Associate

On 17 December 2018, the Group entered into a share transfer agreement to acquire 900,000,000 shares of Aeon Life Insurance Company, Ltd. ("Aeon Life"), representing 11.55% of its total shares as at the date of the share transfer agreement, from an independent third party for a total cash consideration of RMB2,718,000,000 (the "Acquisition"). At 31 December 2018, the Group has fully paid the consideration according to the share transfer agreement.

Completion of the Acquisition is conditional upon the satisfaction of certain conditions precedent including, among other things, (i) the approval of the China Banking and Insurance Regulatory Commission having been obtained in respect of the change of shareholders of Aeon Life pursuant to the Acquisition; and (ii) all necessary consent, permit, licence or approval under the applicable laws and regulations (including but not limited to the shareholders' approval of the Company under the Listing Rules, if required) having been obtained in respect of the share transfer agreement and the transactions contemplated thereunder.

Up to the date of the issuance of these consolidated financial statements, the above Acquisition has not been completed according to the agreements. As the Group will have a significant influence on Aeon Life because the Group is able to appoint one director to Aeon Life, it will be accounted for as an associate after the completion of the above Acquisition.

25. Properties for Development

Included in properties for development as at 31 December 2018 is an amount of RMB9,764,276,000 (2017: RMB17,927,640,000) in respect of long-term leasehold land for which the Group was in the process of obtaining the land use rights certificates.

All properties for development are expected to be recovered after more than 12 months from the end of the reporting period.

26. Properties Under Development

	2018 **RMB'000**	2017 RMB'000
Long-term leasehold land – at cost	**80,307,127**	56,812,084
Development costs	**25,948,690**	17,984,802
Finance costs capitalised	**11,621,050**	8,352,375
	117,876,867	83,149,261

Properties under development for sale amounting RMB82,333,319,000 (2017: RMB67,503,121,000) are expected to be recovered after more than 12 months from the end of the reporting period.

27. Trade and Other Receivables, Deposits and Prepayments

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**979,502**	1,052,445
Less: allowance for credit losses	**(101,266)**	(56,375)
Trade receivables, net of allowance for credit losses	**878,236**	996,070
Other receivables, net of allowance for credit losses	**3,789,485**	5,365,456
Prepayments and deposits	**1,425,478**	1,806,117
Consideration receivables from disposal of subsidiaries and an associate	**160,000**	861,154
	6,253,199	9,028,797

The Group allows an average credit period of 90 days to trade customers. The aged analysis of trade receivables is stated below.

	2018 **RMB'000**	2017 RMB'000
Within 90 days	**548,217**	546,487
91–180 days	**55,317**	41,217
181–365 days	**125,062**	131,418
Over 365 days	**250,906**	333,323
Trade receivables	**979,502**	1,052,445

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB453,602,000 which are past due as at the reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired:

	2017 RMB'000
91–180 days	41,217
181–365 days	92,452
Over 365 days	319,933
Trade receivables	453,602

27. Trade and Other Receivables, Deposits and Prepayments (continued)

The Group made allowance for doubtful debts for trade receivables amounted to RMB46,502,000 and no write off of allowance during the year 2017. The Group also made allowance for doubtful debts for other receivables amounted to RMB169,724,000 and no write off of allowance during the year 2017.

Included in other receivables were advances to third parties of RMB1,112,232,000 (2017: RMB1,732,693,000) as at 31 December 2018. All the advances are interest free, unsecured and expected to be recovered within one year both in 2017 and 2018. The advances comprise mainly earnest money for potential projects. The Group has concentration of credit risk as 46% (2017: 63%) of the total advances to third parties was due from the five largest counterparties. As at 31 December 2017, the Group does not notice any significant changes in the credit quality of its advances to third parties and the amounts are considered to be recoverable.

Other receivables, other than advances to third parties which were mainly earnest money for potential projects, are repayable on demand. Prepayments and deposits are expected to be recovered after more than 12 months.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 46.

28. Contract Assets and Contract Costs

	As at 31 December 2018 RMB'000	As at 1 January 2018* RMB'000
Contract assets:		
Design and decoration (note (i))	**1,632,114**	1,032,647
Project management (note (i))	**254,971**	180,289
Contract costs:		
Costs for obtaining property sale contracts (note (ii))	**332,268**	272,175
	2,219,353	1,485,111

* The amounts in this column are after the adjustments from the application of IFRS 15.

Notes:

(i) 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 in achieving specified milestones stipulated in the relevant contracts at the reporting date on design and decoration and project management service. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the relevant revenue is billed.

(ii) Management expects the incremental costs, primarily sale commission paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised.

The Group has assessed that the expected credit loss for the contract assets is insignificant.

29. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.3% to 4.2% (2017: 0.3% to 2.5%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged bank deposits carry interest at fixed rates which range from 0.3% to 2.75% (2017: 0.3% to 2.75%) per annum.

As at 31 December 2018, the Group had bank balances and cash (including pledged bank deposits) denominated in Renminbi amounting to RMB44,100,652,000 (2017: RMB34,047,295,000). Renminbi is not freely convertible into other currencies.

Bank balances and cash/pledged bank deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD RMB'000	**USD** RMB'000
As at 31 December 2018	**11,357**	**4,107,123**
As at 31 December 2017	39,423	1,890,712

30. Trade and Other Payables/Contract Liabilities

Trade and other payables

The aged analysis of trade payables is stated as follows:

	2018 **RMB'000**	2017 RMB'000
Within 180 days	**17,939,977**	11,542,628
181–365 days	**1,740,674**	789,770
Over 365 days	**1,680,180**	1,562,879
Trade payables	**21,360,831**	13,895,277
Other payables and accrued expenses	**7,924,311**	7,110,774
Receipt in advance for a subsidiary held for sale	**–**	248,000
Consideration payables on acquisition and partial acquisition of subsidiaries	**–**	1,026
	29,285,142	21,255,077

Trade payables and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

30. Trade and Other Payables/Contract Liabilities (continued)

Contract liabilities

	As at 31 December 2018 RMB'000	As at 1 January 2018* RMB'000
Sales of properties (note)	66,266,875	59,866,672

* The amounts in this column are after the adjustments from the application of IFRS 15.

RMB39,439,870,000 was recognised revenue during the year which was included in contract liabilities as at 1 January 2018.

Note: The Group receives 20%-80% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognized throughout the property construction period until the customer obtains control of the completed property.

31. Bank and Other Borrowings

	2018 RMB'000	2017 RMB'000
Secured bank loans (note 42)	**28,501,377**	21,660,041
Unsecured bank loans	**14,125,008**	9,007,628
	42,626,385	30,667,669
Secured other loans (note 42)	**1,524,167**	2,114,996
Unsecured other loans	**5,490,800**	4,400,000
	7,014,967	6,514,996
	49,641,352	37,182,665

	2018 RMB'000	2017 RMB'000
Carrying amount repayable*:		
Within one year	**13,482,996**	12,732,906
More than one year, but not exceeding two years	**13,797,084**	16,065,223
More than two years, but not exceeding three years	**17,312,871**	5,711,536
More than three years, but not exceeding four years	**931,198**	330,000
More than four years, but not exceeding five years	**1,342,238**	326,950
More than five years	**2,774,965**	2,016,050
	49,641,352	37,182,665
Less: Amounts due within one year shown under current liabilities	**(13,482,996)**	(12,732,906)
Amounts shown under non-current liabilities	**36,158,356**	24,449,759

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Bank and other borrowings can be further analysed as follows:

	2018 RMB'000	2017 RMB'000
Fixed-rate	**9,199,900**	13,076,576
Variable-rate	**40,441,452**	24,106,089
	49,641,352	37,182,665

31. Bank and Other Borrowings (continued)

Interest on variable-rate bank and other borrowings is based on:

	2018 RMB'000	2017 RMB'000
The People's Bank of China benchmark rate	30,081,987	14,760,279
London Interbank Offered Rate	7,699,922	9,345,810
Hongkong Interbank Offered Rate	2,659,543	–
	40,441,452	24,106,089

The average effective interest rates were as follows:

	2018	2017
Bank loans	4.98%	5.02%
Other loans	6.53%	6.99%

Bank and other borrowings that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD RMB'000	USD RMB'000
As at 31 December 2018	2,659,543	7,699,922
As at 31 December 2017	–	9,345,810

At the end of the reporting period, certain bank loans are guaranteed by the following companies:

	2018 RMB'000	2017 RMB'000
Secured bank loans:		
Non-controlling shareholders of subsidiaries (note 42)	2,583,695	1,892,400

32. Senior Notes

2020 USD Notes – Unsecured

On 11 August 2015, the Company issued senior notes with an aggregate principal amount of USD500,000,000, comprised of (i) notes in the aggregate principal amount of USD429,698,000 (the "New Notes") which were issued pursuant to the exchange offer memorandum dated 20 July 2015 in relation to the exchange of the 2018 USD Notes (as defined in Group's 2016 consolidated financial statements and fully repaid in 2016) and the 2019 USD Notes into new USD senior notes due 2020 and (ii) notes in the aggregate principal amount of USD70,302,000 (the "Additional New Notes") which formed a single series with and have the same terms and conditions as the new USD senior notes due 2020 (collectively, the "2020 USD Notes").

The 2020 USD Notes were issued at 100% of face value and carried interest at the rate of 5.875% per annum payable semi-annually in arrears. The net proceeds raised from the Additional New Notes, after deducting subscription discounts for odd lot of notes and subtracting expenses related to the issuance of the 2020 USD Notes, was approximately USD62,861,000 (approximately RMB391,611,000). The 2020 USD Notes will mature on 11 August 2020.

The principal terms of 2020 USD Notes are disclosed in the Group's 2015 consolidated financial statements.

The 2020 USD Notes contain a liability component and an early redemption option:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.875% per annum to the liability component since the senior notes were issued.

(ii) Early redemption option is regarded as an embedded derivative not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on 31 December 2018 and 31 December 2017.

The movements of 2020 USD notes during the year are set out below:

	RMB'000
At 1 January 2018	3,149,003
Exchange realignment	164,849
Interest charged during the year	240,556
Interest paid/payable during the year	(199,295)
At 31 December 2018	**3,355,113**

33. Corporate Debt Instruments

2015 Corporate Bonds

On 28 August 2015, Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate") (the "Issuer"), a wholly-owned subsidiary of the Company, issued the first tranche of corporate bonds with an aggregate principal amount of RMB3,000,000,000 at 100% of face value (the "2015 First Bonds") which are listed on Shanghai Stock Exchange. The 2015 First Bonds carry interest at the rate of 4.70% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB2,952,000,000. The 2015 First Bonds will mature on 27 August 2020.

On 18 September 2015, the Issuer issued the second tranche of the corporate bonds in an aggregate principal amount of RMB4,000,000,000 at 100% of face value comprising (i) RMB2,000,000,000 with a term of five years and an annual coupon rate of 4.40% payable annually in arrears (the "2015 Five-year Bonds"), and (ii) RMB2,000,000,000 with a term of seven years and an annual coupon rate of 5.16% payable annually in arrears (the "2015 Seven-year Bonds", together with the 2015 Five-year Bonds, the "2015 Second Bonds"). The net proceeds, after deduction of direct issuance costs, amounted to RMB3,940,000,000. The 2015 Five-year Bonds will mature on 16 September 2020. The 2015 Seven-year Bonds will mature on 16 September 2022.

The Issuer shall be entitled to unconditionally adjust the coupon rate and the investors shall be entitled to unconditionally sell back the 2015 First Bonds and 2015 Five-year Bonds, both at the end of the third year and the 2015 Seven-year Bonds at the end of the fifth year, respectively ("2015 Coupon Rate Adjustment Right").

The principal terms of 2015 First Bonds and 2015 Second Bonds (collectively, the "2015 Corporate Bonds") are disclosed in the Group's 2015 consolidated financial statements.

The 2015 Corporate Bonds contain a liability component and a written put option:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.14% per annum to the liability component since the 2015 Corporate Bonds were issued.

(ii) Written put option is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from the liability component.

33. Corporate Debt Instruments (continued)

2015 Corporate Bonds (continued)

On 16 July 2018, the Group decided to exercise the 2015 Coupon Rate Adjustment Right of the 2015 First Bonds and raised interest at the rate of 5.35% per annum payable annually in arrears from 27 August 2018 to 27 August 2020. Certain investors sold back the 2015 First Bonds amounted to RMB1,566,629,000 to the Issuer after the declaration of the coupon rate adjustment.

On 6 August 2018, the Group decided to exercise the 2015 Coupon Rate Adjustment Right of the 2015 Five-year Bonds and raised interest at the rate of 4.91% per annum payable annually in arrears from 16 September 2018 to 16 September 2020. Certain investors sold back the 2015 Five-year amounted to RMB491,865,000 to the Issuer after the declaration of the coupon rate adjustment.

As at 31 December 2018, the Group has had no plan nor intention to exercise the 2015 Coupon Rate Adjustment Right of the 2015 Seven-year Bonds, therefore the interest expense for the year were calculated using the original coupon rates of the 2015 Seven-year Bonds.

Further details of the results of execution 2015 Coupon Rate Adjustment Right are published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

The movements of corporate bonds during the year are set out below:

	RMB'000
At 1 January 2018	6,936,088
Principal repaid during the year	(2,064,377)
Interest charged during the year	326,489
Interest paid/payable during the year	(305,616)
At 31 December 2018	**4,892,584**

Medium-term Notes

On 6 March 2017, the Issuer issued the first of medium-term notes with an aggregate principal amount of RMB3,000,000,000 at 100% of face value (the "First Medium-term Notes").The First Medium-term Notes carry interest at the rate of 5.50% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB2,977,009,000. The First Medium-term Notes will mature on 6 March 2022.

On 21 April 2017, the Issuer issued the second of medium-term notes with an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Second Medium-term Notes"). The Second Medium-term Notes carry interest at the rate of 5.19% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB1,987,538,000. The Second Medium-term Notes will mature on 21 April 2020.

33. Corporate Debt Instruments (continued)

Medium-term Notes (continued)

On 13 June 2017, the Issuer issued the third of medium-term notes with an aggregate principal amount of RMB2,500,000,000 at 100% of face value (the "Third Medium-term Notes"). The Third Medium-term Notes carry interest at the rate of 5.47% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB2,484,460,000. The Third Medium-term Notes will mature on 13 June 2020.

On 8 August 2017, the Issuer issued the fourth medium-term notes with an aggregate principal amount of RMB1,400,000,000 at 100% of face value (the "Fourth Medium-term Notes"). The Fourth Medium-term Notes carry interest at the rate of 5.30% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB1,385,370,000. The Fourth Medium-term Notes will mature on 8 August 2022.

The movements of medium-term notes during the year are set out below:

	RMB'000
At 1 January 2018	8,846,616
Interest charged during the year	492,978
Interest paid/payable during the year	(475,408)
At 31 December 2018	**8,864,186**

Short-term Notes

On 19 March 2018, the Issuer issued the first of short-term notes with an aggregate principal amount of RMB1,000,000,000 at 100% of face value (the "First Short-term Notes"). The First Short-term Notes carry interest at the rate of 5.42% per annum. The net proceeds, after deduction of direct issuance costs, amounted to RMB997,655,000. The First Short-term Notes will mature on 19 March 2019 and pay the interest at a time.

On 19 March 2018, the Issuer issued the second of short-term notes with an aggregate principal amount of RMB1,000,000,000 at 100% of face value (the "Second Short-term Notes"). The Second Short-term Notes carry interest at the rate of 5.42% per annum. The net proceeds, after deduction of direct issuance costs, amounted to RMB997,749,000. The Second Short-term Notes will mature on 19 March 2019 and pay the interest at a time.

On 26 April 2018, the Issuer issued the third of short-term notes with an aggregate principal amount of RMB1,000,000,000 at 100% of face value (the "Third Short-term Notes"). The Third Short-term Notes carry interest at the rate of 4.97% per annum. The net proceeds, after deduction of direct issuance costs, amounted to RMB997,741,000. The Third Short-term Notes will mature on 26 April 2019 and pay the interest at a time.

On 17 May 2018, the Issuer issued the fourth of short-term notes with an aggregate principal amount of RMB1,000,000,000 at 100% of face value (the "Fourth Short-term Notes"). The Fourth Short-term Notes carry interest at the rate of 5.08% per annum. The net proceeds, after deduction of direct issuance costs, amounted to RMB997,741,000. The Fourth Short-term Notes will mature on 17 May 2019 and pay the interest at a time.

33. Corporate Debt Instruments (continued)

Short-term Notes (continued)

The movement of short-term notes during the year is set out below:

	RMB'000
Fair value at the date of issuance	3,990,886
Interest charged during the year	158,209
Interest paid/payable during the year	(150,873)
At 31 December 2018	**3,998,222**

2018 Corporate Bonds

On 12 March 2018, the Issuer issued the first tranche of corporate bonds with an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "2018 First Bonds"). The 2018 First Bonds carry interest at the rate of 5.5% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB1,989,571,000. The 2018 First Bonds will mature on 12 March 2023.

On 13 April 2018, the Issuer issued the second tranche of corporate bonds with an aggregate principal amount of RMB3,000,000,000 at 100% of face value comprising (i) RMB2,500,000,000 with a term of five years and an annual coupon rate of 5.99% (the "2018 Second Bonds"), and (ii) RMB500,000,000 with a term of four years and an annual coupon rate of 5.7% (the "2018 Third Bonds"). The net proceeds, after deduction of direct issuance costs, amounted to RMB2,984,440,000. The 2018 Second Bonds and 2018 Third Bonds will mature on 12 April 2023 and 12 April 2022 receptively.

On 25 May 2018, the Issuer issued third tranche of corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100% of face value (the "2018 Fourth Bonds"). The 2018 Fourth Bonds carry interest at the rate of 6.00% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB996,980,000. The 2018 Fourth Bonds will mature on 25 May 2022.

On 10 August 2018, the Issuer issued fourth of corporate bonds with an aggregate principal amount of RMB1,650,000,000 at 100% of face value (the "2018 Fifth Bonds"). The 2018 Fifth Bonds carry interest at the rate of 4.73% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB1,639,808,000. The 2018 Fifth Bonds will mature on 9 August 2023.

On 4 September 2018, the Issuer issued fifth tranche of corporate bonds with an aggregate principal amount of RMB500,000,000 at 100% of face value (the "2018 Sixth Bonds"). The 2018 Sixth Bonds carry interest at the rate of 4.98% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB497,840,000. The 2018 Sixth Bonds will mature on 4 September 2023.

On 21 September 2018, the Issuer issued sixth tranche of corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100% of face value(the "2018 Seventh Bonds"). The 2018 Seventh Bonds carry interest at the rate of 5.7% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB994,980,000. The 2018 Seventh Bonds will mature on 21 September 2023.

33. Corporate Debt Instruments (continued)

2018 Corporate Bonds (continued)

The Issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the 2018 First Bonds, the 2018 Second Bonds, the 2018 Fifth Bonds, the 2018 Sixth Bonds and the 2018 Seventh Bonds at the end of the third year, the 2018 Third Bonds and the 2018 Fourth Bonds at the end of the second year, respectively ("2018 Coupon Rate Adjustment Right").

The principal terms of the 2018 Corporate Bonds are as follows:

(i) the 2018 First Bonds, the 2018 Second Bonds, the 2018 Fifth Bonds, the 2018 Sixth Bonds and the 2018 Seventh Bonds have fixed interest rate in the first three years. At the end of the third year, the Issuer has the right to adjust the coupon rate of the remaining outstanding bonds. If the Issuer choose to exercise the 2018 Coupon Rate Adjustment Right, the new fixed coupon rate for the remaining two years will be the coupon rate of the first three years plus adjusting basis points;

(ii) the 2018 Third Bonds and the 2018 Fourth Bonds have fixed interest rate in the first two years. At the end of the second year, the Issuer has the right to exercise the 2018 Coupon Rate Adjustment Right. If the Issuer choose to do so, the new fixed coupon rate for the remaining two years will be the coupon rate of the first two years plus adjusting basis points;

(iii) the investors of the 2018 First Bonds, the 2018 Second Bonds, the 2018 Fifth Bonds, the 2018 Sixth Bonds and the 2018 Seventh Bonds have option to sell back the bonds, in whole or in parts, at a redemption price equal to 100% of the principal amount of the bonds plus accrued and unpaid interest, if any, to (but not including) the redemption date when the Issuer issue the announcement concerning whether to adjust the coupon rate of the bonds at the end of the third year;

(iv) the investors of the 2018 Third Bonds and the 2018 Fourth Bonds have option to sell back the bonds, in whole or in parts, at a redemption price equal to 100% of the principal amount of the bonds plus accrued and unpaid interest, if any, to (but not including) the redemption date when the Issuer issue the announcement concerning whether to adjust the coupon rate of the bonds at the end of the second year;

33. Corporate Debt Instruments (continued)

2018 Corporate Bonds (continued)

Further details of the 2018 Corporate Bonds are published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

The 2018 Corporate Bonds contain a liability component and a written put option:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.55% per annum to the liability component since the corporate bonds were issued.

(ii) Written put option is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from the liability component.

As at 31 December 2018, the Group has had no plan nor intention to exercise the Coupon Rate Adjustment Right of the corporate bonds, therefore the interest expense for the year were calculated using the 2018 original coupon rates of the corporate bonds.

The movement of the 2018 Corporate Bonds during the year is set out below:

	RMB'000
Fair value at the date of issuance	9,103,619
Interest charged during the year	315,103
Interest paid/payable during the year	(307,115)
At 31 December 2018	**9,111,607**

The summary of movements of corporate bonds, medium-term notes and short-term notes during the year is set out below:

	RMB'000
At 1 January 2018	15,782,704
Fair value at the date of issuance	13,094,505
Principal repaid during the year	(2,064,377)
Interest charged during the year	1,292,779
Interest paid/payable during the year	(1,239,012)
At 31 December 2018	**26,866,599**
Less: Amounts due within one year	3,998,222
Amounts shown under non-current liabilities	22,868,377

34. Receipts Under Securitisation Arrangements

On 3 November 2017, Greentown Real Estate, a wholly-owned subsidiary of the Company, issued receipts under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB1,600,000,000 at 100% of face value comprising (i) RMB1,500,000,000 with a term of fixed annual coupon rate of 5.29% and provide distribution semi-annually (the "Senior Tranche Securities"), and (ii) RMB100,000,000 with a term of no annual coupon rate (the "Junior Tranche Securities"). The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange. The net proceeds of the Receipts Under Securitisation Arrangements, after deduction of direct issuance costs, amounted to RMB1,590,140,000. Both Senior Tranche Securities and Junior Tranche Securities will mature on 21 July 2020.

The receipts under securitisation arrangements are assets backed securitisation collateralised by certain future trade receivables for the remaining receipts from sales of properties.

The movements of receipts under securitisation arrangements during the year are set out below:

	RMB'000
At 1 January 2018	1,591,891
Interest charged during the year	79,768
Interest paid/payable during the year	(76,463)
At 31 December 2018	**1,595,196**

35. Share Capital

	Number of shares	**Share capital** HKD'000
Authorised		
Ordinary shares of HKD0.10 each At 31 December 2017 and 2018	10,000,000,000	1,000,000
Issued and fully paid		
Ordinary shares of HKD0.10 each At 31 December 2017	2,165,578,190	216,558
Exercise of share options	3,097,500	310
At 31 December 2018	**2,168,675,690**	**216,868**

	RMB'000
Shown on the consolidated statement of financial position	
As at 31 December 2018	**209,501**
As at 31 December 2017	209,240

All shares issued during the year rank pari passu with other shares in issue in all respects.

36. Perpetual Securities and Domestic perpetual securities

2014 USD Perpetual Securities

On 28 January 2014, Moon Wise Global Limited ("Moon Wise"), a wholly-owned subsidiary of the Company, issued USD denominated subordinated perpetual capital securities (the "2014 USD Perpetual Securities") with an aggregate principal amount of USD500,000,000. The Company has agreed to guarantee on a subordinated basis the due payment of all sums expressed to be payable by Moon Wise under the 2014 USD Perpetual Securities.

The principal terms of the First 2014 Perpetual Securities are disclosed in the Group's 2014 consolidated financial statements.

As the 2014 USD Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IAS 39/IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends. Distribution of RMB295,618,000 for the year ended 31 December 2018 (2017: RMB306,263,000) has been provided and paid by the Company.

2016 USD Perpetual Securities

On 22 April 2016, Apex Top Group Limited ("Apex Top"), a wholly-owned subsidiary of the Company, issued USD denominated senior perpetual capital securities callable 2019 (the "2016 USD Perpetual Securities") with an aggregate principal amount of USD400,000,000. The 2016 USD Perpetual Securities are unlisted, guaranteed by the Company, and benefit from a keepwell deed and deed of equity interest purchase undertaking provided by China Communications Construction Group (Limited) ("CCCG").

The principal terms of the 2016 USD Perpetual Securities are disclosed in the Group's 2016 consolidated financial statements.

As the 2016 USD Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IAS 39/IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends. Distribution of RMB145,318,000 for the year ended 31 December 2018 (2017: RMB148,374,000) has been provided and paid by the Company.

2017 USD Perpetual Securities

On 19 July 2017, Wisdom Glory Group Limited ("Wisdom Glory"), a wholly-owned subsidiary of the Company, issued USD denominated guaranteed senior perpetual capital securities (the "2017 USD Perpetual Securities") with an aggregate principal amount of USD450,000,000. The Company has agreed to guarantee the due payment of all sums expressed to be payable by Wisdom Glory under the 2017 USD Perpetual Securities.

The principal terms of the 2017 USD Perpetual Securities are disclosed in the Group's 2017 consolidated financial statements.

36. Perpetual Securities (continued)

2017 USD Perpetual Securities (continued)

As the 2017 USD Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IAS 39/IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends. Distribution of RMB151,270,000 for the year ended 31 December 2018 (2017: RMB nil) has been provided and paid by the Company.

2018 USD Perpetual Securities

On 28 December 2018 (the "Issue Date"), Twinkle Lights Holdings Limited ("Twinkle Lights"), a wholly-owned subsidiary of the Company, issued USD denominated guaranteed senior perpetual capital securities (the "2018 USD Perpetual Securities") with an aggregate principal amount of USD500,000,000. The 2018 USD Perpetual Securities are guaranteed by the Company, and also benefit from a keepwell deed and deed of equity interest purchase undertaking provided by CCCG.

Under the terms and conditions of the 2018 USD Perpetual Securities (the "2018 Perpetual Securities T&Cs"), the holders of the 2018 USD Perpetual Securities ("2018 Perpetual Securities Holders") has a right to receive distribution at the applicable distribution rate from the Issue Date semi-annually in arrears. The distribution rate shall be (i) in respect of the period from, and including, the Issue Date to, but excluding, 28 December 2021 (the "First Reset Date"), 10.00% per annum; and (ii) in respect of the periods (A) from, and including, the First Reset Date to, but excluding, the immediately following Reset Date and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate. A "Reset Date" is defined as each of the First Reset Date and each day falling every 3 calendar years after the First Reset Date. "Relevant Reset Distribution Rate" is the Treasury Rate (as defined in the 2018 Perpetual Securities T&Cs) with respect to the relevant Reset Date plus 7.342% plus 5.00% per annum.

Twinkle Lights may at its sole discretion elect to defer any scheduled distribution to the next distribution payment date by giving prior written notice to the 2018 Perpetual Securities Holders. Twinkle Lights may further defer any arrears of distribution following the notice requirement in accordance with the 2018 Perpetual Securities T&Cs and is not subject to any limits as to the number of times distributions and arrears of distribution can be deferred but unless and until (i) Twinkle Lights or the Company satisfies in full all outstanding arrears of distribution and any additional distribution amount or (ii) it is permitted by a resolution passed by a majority of not less than three quarters of the votes casted at a duly convened meeting of the 2018 Perpetual Securities Holders, each of Twinkle Lights and the Company shall not (i) declare or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on any class of the share capital or other junior securities of Twinkle Lights and the Company (as applicable); or (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any class of the share capital or other junior securities of Twinkle Lights and the Company (as applicable).

As the 2018 USD Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

36. Perpetual Securities (continued)

First Domestic Perpetual Securities

On 26 October 2018, Greentown Real Estate issued listed and unsecured domestic perpetual securities (the "First Domestic Perpetual Securities") with an aggregate principal amount of RMB1,400,000,000.

The First Domestic Perpetual Securities confer the holders a right to receive distribution at the applicable distribution rate from 26 October 2018 annually in arrears. The distribution rate shall be (i) in respect of the period from, and including, 26 October 2018 to, but excluding, 26 October 2021, 6.20% per annum; and (ii) in respect of the periods from , and including, each Reset Date falling after 26 October 2018 to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate. A Reset Date is defined as each day falling every 3 calendar years after the 26 October 2018. Relevant Reset Distribution Rate is the treasury rate with respect to the relevant Reset Date plus 3.00% plus 3.00% per annum.

Greentown Real Estate may at its sole discretion elect to defer any scheduled distribution to the next scheduled distribution payment date by giving prior written notice. Greentown Real Estate may further defer any arrears of distribution following the foregoing notice requirement and is not subject to any limits as to the number of times distributions and arrears of distribution can be deferred. Unless and until Greentown Real Estate satisfies in full all outstanding arrears of distribution and any additional distribution amount, Greentown Real Estate shall not declare or pay any dividends or reduce any share capital.

As the First Domestic Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends. No distribution has been provided or paid by the Group for the year ended 31 December 2018.

36. Perpetual Securities (continued)

Second Domestic Perpetual Securities

On 3 December 2018, Greentown Real Estate issued listed and unsecured domestic perpetual securities (the "Second Domestic Perpetual Securities") with an aggregate principal amount of RMB2,000,000,000.

The Second Domestic Perpetual Securities confer the holders a right to receive distribution at the applicable distribution rate from 3 December 2018 annually in arrears. The distribution rate shall be (i) in respect of the period from, and including, 3 December 2018 to, but excluding, 3 December 2021, 5.89% per annum; and (ii) in respect of the periods form, and including, each Reset Date falling after the 3 December 2018 to , but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate. A Reset Date is defined as each of the First Reset Date and each day falling every 3 calendar years after 3 December 2018. Relevant Reset Distribution Rate is the treasury rate with respect to the relevant Reset Date plus 2.88% plus 3.00% per annum.

Greentown Real Estate may at its sole discretion elect to defer any scheduled distribution to the next scheduled distribution payment date by giving prior written notice. Greentown Real Estate may further defer any arrears of distribution following the foregoing notice requirement and is not subject to any limits as to the number of times distributions and arrears of distribution can be deferred. Unless and until Greentown Real Estate satisfies in full all outstanding arrears of distribution and any additional distribution amount, Greentown Real Estate shall not declare or pay any dividends or reduce any share capital.

As the Second Domestic Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends. No distribution has been provided or paid by the Group for the year ended 31 December 2018.

37. Acquisition of Subsidiaries

Particulars of the subsidiaries acquired during 2018 were as follows:

Acquired company	Principal activities	Acquisition date	Equity interest acquired	Consideration
				RMB'000
濟南東創置業有限公司 Ji'nan Dongchuang (Note (i))	Real estate development	1 January 2018	–	–
西安國際陸港文遠置業有限公司 Xi'an International Lugang Wenyuan Real Estate Co., Ltd. ("Xi'an Wenyuan") (Note (ii))	Real estate development	5 January 2018	51%	235,056
德清青城房地產開發有限公司 Deqing Qingcheng Real Estate Development Co., Ltd. ("Deqing Qingcheng") (Note (iii))	Real estate development	8 January 2018	90%	445,000
杭州碩櫟投資管理有限公司 Hangzhou Shuoli (Note (iv))	Investment Holding	16 March 2018	100%	100
余姚綠潤投資有限公司 Yuyao Lvrun Investment Co., Ltd. ("Yuyao Lvrun") (Note (iv))	Investment Holding	16 March 2018	93%	–
余姚綠城房地產開發有限公司 Yuyao Greentown (Note (iv))	Real estate development	16 March 2018	53%	–
西安國際陸港文廣置業有限公司 Xi'an International Lugang Wenguang Real Estate Co., Ltd. ("Xi'an Wenguang") (Note (v))	Real estate development	18 April 2018	51%	–

37. Acquisition of Subsidiaries (continued)

Particulars of the subsidiaries acquired during 2018 were as follows: (continued)

Acquired company	Principal activities	Acquisition date	Equity interest acquired	Consideration
				RMB'000
杭州西溪山莊房地產開發有限公司 Hangzhou Xixi (Note (vi))	Real estate development	30 July 2018	30%	26,760
舟山綠城海盛置業發展有限公司 Zhoushan Greentown Haisheng (Note (vii))	Real estate development	7 August 2018	49%	49,000
				755,916

Notes:

(i) Shandong Greentown Investment Real Estate Co., Ltd., a wholly-owned subsidiary of the Company, obtained control over Ji'nan Dongchuang by entering into the acting in concert agreement with another shareholder which held 50% equity interests of Ji'nan Dongchuang so as to continue the expansion of the Group's property development operation. Ji'nan Dongchuang was previously a 50%-owned joint venture of the Group.

(ii) Xi'an Greentown Gangcheng Real Estate Development Co., Ltd. ("Xi'an Greentown Gangcheng"), a wholly-owned subsidiary of the Company, acquired 51% equity interests of Xi'an Wenyuan so as to continue the expansion of the Group's property development operation.

(iii) Greentown Ideal Town Construction Group Co., Ltd., a wholly-owned subsidiary of the Company, acquired 90% equity interests of Deqing Qingcheng so as to continue the expansion of the Group's property development operation.

(iv) Zhejiang Greentown Real Estate Investment Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interest of Hangzhou Shuoli so as to continue the expansion of the Group's property development operation. Yuyao Lvrun and Yuyao Greentown are the subsidiaries of Hangzhou Shuoli, therefore were also acquired by the Group. Yuyao Greentown was previously a 47%-owned joint venture of the Group and the Group owned 7.5% equity interests of Yuyao Lvrun and accounted it as available-for-sale investments in prior periods.

(v) Xi'an Greentown Gangcheng obtained 51% equity interests of Xi'an Wenguang so as to continue the expansion of the Group's property development operation.

(vi) Hangzhou Nuozhen Investment Co., Ltd., a wholly-owned subsidiary of the Company, acquired 30% equity interest of Hangzhou Xixi so as to continue the expansion of the Group's property development operation. Hangzhou Xixi was previously a 50%-owned joint venture of the Group.

(vii) Zhoushan Greentown Real Estate Development Co., Ltd., a wholly-owned subsidiary of the Company, acquired 49% equity interest of Zhoushan Greentown Haisheng so as to continue the expansion of the Group's property development operation. Zhoushan Greentown Haisheng was previously a 51%-owned joint venture of the Group.

37. Acquisition of Subsidiaries (continued)

Particulars of the subsidiaries acquired during 2017 were as follows:

Acquired company	Principal activities	Acquisition date	Equity interest acquired	Consideration RMB'000
天津團泊湖裕泰置業有限公司 Tianjin Tuanbohu Yutai Real Estate Co., Ltd. ("Tianjin Tuanbohu Yutai")(note (i))	Real estate development	18 January 2017	100%	421,287
上海銘藝木業有限公司 Shanghai Mingyi Wood Co., Ltd. ("Shanghai Mingyi")(note (ii))	Design and decoration	18 April 2017	60%	165
寧波泰谷房地產開發有限公司 Ningbo Taigu Real Estate Development Co., Ltd. ("Ningbo Taigu")(note (iii))	Real estate development	27 April 2017	100%	32,502
浙江綠城利普建築設計有限公司 Zhejiang Greentown Lipu Construction Design Co., Ltd. ("Zhejiang Greentown Lipu")(note (iv))	Design and decoration	26 June 2017	51%	–
安吉騰迅旅遊開發有限公司 Anji Tengxun Travelling Development Co., Ltd. ("Anji Tengxun ")(note (v))	Travel development	15 August 2017	100%	800
浙江綠城聯合建設有限公司 Zhejiang Greentown United Construction Development Co., Ltd. ("Zhejiang Greentown United")(note (vi))	Design and decoration	12 October 2017	60%	12,000
杭州綠城櫥櫃有限公司 Hangzhou Greentown Cabinet Co., Ltd. ("Hangzhou Greentown Cabinet")(note (vi))	Design and decoration	12 October 2017	51%	–

For the year ended 31 December 2018

37. Acquisition of Subsidiaries (continued)

Particulars of the subsidiaries acquired during 2017 were as follows: (continued)

Acquired company	Principal activities	Acquisition date	Equity interest acquired	Consideration
				RMB'000
天津綠城全運村建設開發有限公司 Tianjin Greentown National Games Village Construction Development Co., Ltd. ("Tianjin National Games Village") (note (vii))	Real estate development	13 November 2017	–	–
成都浙中大地產有限公司 Chengdu Zhezhongda Real Estate Co., Ltd. ("Chengdu Zhezhongda")(note (viii))	Real estate development	14 November 2017	60%	292,208
西安新鴻業投資發展有限公司 Xi'an Xinhongye Investment Development Co., Ltd. ("Xi'an Xinhongye")(note (ix))	Real estate development	1 December 2017	83%	481,689
西安鴻登城市建設有限公司 Xi'an Hongdeng City Construction Co., Ltd. ("Xi'an Hongdeng")(note (ix))	Real estate development	1 December 2017	83%	–
西安鴻基物業管理有限公司 Xi'an Hongji Property Management Co., Ltd. ("Xi'an Hongji")(note (ix))	Property management service	1 December 2017	83%	–
綠城永隆裝飾工程有限公司 (原名「山東省永隆裝飾工程有限公司」) Greentown Yonglong Decoration Project Co., Ltd. ("Greentown Yonglong") (the former name "Shandong Yonglong Decoration Project Co., Ltd.") (note (x))	Design and decoration	4 December 2017	80%	95,617
浙江綠城房屋服務系統有限公司 Zhejiang Greentown Housing Service System Co., Ltd. ("Zhejiang Greentown Housing") (note (xi))	Housing service	19 December 2017	100%	13,800
				1,350,068

37. Acquisition of Subsidiaries (continued)

Particulars of the subsidiaries acquired during 2017 were as follows: (continued)

Notes:

(i) Tianjin Greentown Northern Real Estate Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interest of Tianjin Tuanbohu Yutai so as to continue the expansion of the Group's property development operation.

(ii) Zhejiang Greentown Wood Development Co., Ltd., a wholly-owned subsidiary of the Company, acquired 60% equity interest of Shanghai Mingyi so as to continue the expansion of the Group's design and decoration operation.

(iii) Hangzhou Greentown Zhizhen Investment Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% equity interest of Ningbo Taigu so as to continue the expansion of the Group's property development operation.

(iv) Greentown Real Estate Project Management Group Co., Ltd., a wholly-owned subsidiary of the Company, obtained 51% equity interest of Zhejiang Greentown Lipu so as to continue the expansion of the Group's design and decoration operation.

(v) Zhejiang Greentown Yuanhe Real Estate Development Co., Ltd., an 85%-owned subsidiary of the Company, acquired 100% equity interest of Anji Tengxun so as to continue the expansion of the Group's travel development operation.

(vi) Greentown Decoration Project Group Co., Ltd. ("Greentown Decoration Project Group"), an 87.64%-owned subsidiary of the Company, acquired additional 60% equity interest of Zhejiang Greentown United so as to continue the expansion of the Group's design and decoration operation. Zhejiang Greentown United was previously a 40%-owned associate of the Group. Hangzhou Greentown Cabinet is a subsidiary of Zhejiang Greentown United, therefore was also acquired by the Group.

(vii) Greentown Real Estate obtained control over Tianjin National Games Village by amendments to the articles of association so as to continue the expansion of the Group's property development operation. Tianjin National Games Village was previously a 40.8%-owned joint venture of the Group.

(viii) Greentown Real Estate, a wholly-owned subsidiary of the Company, acquired 60% equity interest of Chengdu Zhezhongda so as to continue the expansion of the Group's property development operation.

(ix) Beijing Greentown Investment Co., Ltd., a wholly-owned subsidiary of the Company, acquired 83% equity interest of Xi'an Xinhongye so as to continue the expansion of the Group's property development operation. Xi'an Hongdeng and Xi'an Hongji are wholly-owned subsidiaries of Xi'an Xinhongye, therefore were also acquired by the Group.

(x) Greentown Decoration Project Group acquired 80% equity interest of Greentown Yonglong so as to continue the expansion of the Group's design and decoration operation.

(xi) Greentown Ideal housing Technology Service Co., Ltd., a 58%-owned subsidiary of the Company, acquired 100% equity interest of Zhejiang Greentown Housing so as to continue the expansion of the Group's housing service operation.

37. Acquisition of Subsidiaries (continued)

A summary of the effects of the acquisition of these subsidiaries is as follows:

	Ji'nan Dongchuang RMB'000 (note i)	Other companies RMB'000	**2018 Total RMB'000**	2017 Total RMB'000
Net assets acquired:				
Property, plant and equipment	1,196	1,909	**3,105**	27,813
Available-for-sale investments	–	–	**–**	95
Prepaid lease payments	–	3,088	**3,088**	1,449
Deferred tax assets	7,322	187,662	**194,984**	151,130
Properties for development	2,600,000	2,222,396	**4,822,396**	1,162,725
Properties under development	2,827,795	6,023,857	**8,851,652**	9,018,563
Completed properties for sale	–	185,847	**185,847**	18,254,124
Inventories	–	–	**–**	58,667
Trade and other receivables, deposits and prepayments	50,505	586,593	**637,098**	1,188,666
Contract assets and contract costs	13,606	32,768	**46,374**	–
Amounts due from related parties	760,000	4,437,392	**5,197,392**	6,298,252
Prepaid income taxes	122,102	156,194	**278,296**	1,608,586
Prepaid other taxes	86,283	428,613	**514,896**	871,651
Bank balances and cash	508,089	262,238	**770,327**	2,486,123
Trade and other payables	(587,587)	(2,271,588)	**(2,859,175)**	(6,335,112)
Contract liabilities	(2,924,437)	(8,749,642)	**(11,674,079)**	–
Pre-sale deposits	–	–	**–**	(22,080,373)
Amounts due to related parties	(225)	(109,830)	**(110,055)**	(625,464)
Income taxes payable	(5,742)	(137)	**(5,879)**	(65,716)
Other taxes payable	(1,450)	(103,006)	**(104,456)**	(6,051)
Bank and other borrowings	(567,000)	(1,690,000)	**(2,257,000)**	(1,035,000)
Deferred tax liabilities	(1,063,497)	(364,604)	**(1,428,101)**	(3,130,082)
	1,826,960	1,239,750	**3,066,710**	7,850,046
Non-controlling interests	(913,480)	(338,590)	**(1,252,070)**	(3,726,434)
	913,480	901,160	**1,814,640**	4,123,612
Less:				
Transferred from interests previously held and classified as associates and joint ventures	(322,728)	(45,226)	**(367,954)**	(1,136,203)
Transferred from interests previously held and classified as investments in equity instrument at FVTOCI	–	(4,418)	**(4,418)**	–
Gain on re-measurement of associates and joint ventures to acquisition date fair value in business combination achieved in stages (note ii)	(590,752)	(95,600)	**(686,352)**	(1,623,535)
Gain on acquisition of subsidiaries	–	–	**–**	(13,806)
	–	755,916	**755,916**	1,350,068

37. Acquisition of Subsidiaries (continued)

A summary of the effects of the acquisition of these subsidiaries is as follows: (continued)

	Ji'nan Dongchuang RMB'000 (note i)	Other companies RMB'000	**2018 Total RMB'000**	2017 Total RMB'000
Total consideration, satisfied by:				
Cash	–	555,916	**555,916**	1,350,068
Consideration payables	–	200,000	**200,000**	–
	–	755,916	**755,916**	1,350,068
Net cash inflow arising on acquisition				
Cash paid	–	(320,860)	**(320,860)**	(949,860)
Bank balances and cash acquired	508,089	262,238	**770,327**	2,486,123
	508,089	(58,622)	**449,467**	1,536,263

Note: i. Ji'nan Dongchuang was previously a 50% owned-joint venture of the Group. Due to certain agreement of acting in concert with another shareholder which held the rest of 50% equity interests in Ji'nan Dongchuang, the shareholder is required to keep the concerted action in the board resolution. The acting in concert agreement became effective from 1 January 2018 and would be effective during the whole continuing period of Ji'nan Dongchuang.

Upon the effective period of the acting in concert agreement, the Group has obtained control over Ji'nan Dongchuang with no consideration, and Ji'nan Dongchuang became a 50%-owned subsidiary of the Group.

Note: ii. The Group's 50%, 50% and 51% equity interest in Ji'nan Dongchuang, Hangzhou Xixi, and Zhoushan Greentown Haisheng respectively which was previously accounted for as a joint venture, was remeasured to its fair value upon acquisition, resulting in a total gain of RMB686,352,000 in the year.

The acquisition of the subsidiaries has been accounted for using the acquisition method. The effect of the acquisitions was presented together as the assets and liabilities acquired from Xi'an Wenyuan, Deqing Qingcheng, Hangzhou Shuoli, Yuyao Lvrun, Yuyao Greentown, Xi'an Wenguang, Hangzhou Xixi and Zhoushan Greentown Haisheng were not material in comparison to the assets and liabilities acquired from Ji'nan Dongchuang.

The receivables acquired (which principally comprised trade and other receivables, deposits and prepayments, amounts due from related parties) with a fair value of RMB5,834,490,000 at the date of acquisition had gross contractual amounts of RMB5,834,490,000, which were expected to be fully collected.

The non-controlling interest recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of net assets of subsidiaries and amounted to RMB1,252,070,000.

The subsidiaries contributed RMB7,762,693,000 in revenue to the Group between the date of acquisition and the end of the year.

The losses attributable to the subsidiaries amounted to RMB23,216,000 has been recognised in the Group's profit for the year between the date of acquisition and the end of the period. The profits attributable to the subsidiaries amounted to RMB626,578,000 has been recognised in the Group's profit for the year between the date of acquisition and the end of the year.

37. Acquisition of Subsidiaries (continued)

Had the acquisition of the subsidiaries been effected at 1 January 2018, the Group's revenue and profit for the year ended 31 December 2018 would have been RMB61,116,244,000 and RMB2,519,560,000.

Acquisition-related costs were immaterial and had been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

For analysis of the summary of effects of acquisition of subsidiaries in 2017, please refer to the Group's consolidated financial statements for the year ended 31 December 2017.

38. Disposal of Subsidiaries

In January 2018, the Group disposed of its entire 60% equity interests in Liuzhou Greentown Investment Co., Ltd.("Liuzhou Greentown Investment") to an independent third party for a cash consideration of RMB408,000,000. Liuzhou Greentown Real Estate Development Co., Ltd. is a wholly-owned subsidiary of Liuzhou Greentown Investment, therefore was also disposed by the Group. The entire equity interests of Liuzhou Greentown Investment was previously accounted as disposal groups held for sale.

In January 2018, the Group disposed of its entire 100% equity interests in Hangzhou Rose Garden Resort to a shareholder's company for an acquisition of 50% equity interest in Football Club held by the shareholder's company at the consideration of RMB331,370,000 ("Transaction"). The consideration for the Transaction was satisfied in part by the entire equity interest in Hangzhou Rose Garden Resort amounted to RMB286,741,000 and RMB44,629,000 in cash. Hangzhou Greentown Imports and Exports Trading Co., Ltd. is a 90%-owned subsidiary of Hangzhou Rose Garden Resort, therefore was also disposed by the Group. After the Transaction, Football Club became a 50%-owned joint venture of the Group. The entire equity interests of Hangzhou Rose Garden was previously accounted as disposal groups held for sale. Details of the Transaction set out above are disclosed in the Company's announcement dated 27 December 2017.

In March 2018, the Group disposed of its 49% equity interests in Hangzhou Greentown Binfeng Project Management Co., Ltd. to an independent third party for RMB nil consideration and resulted an insignificant disposal loss. After the disposal, Hangzhou Greentown Binfeng Project Management Co., Ltd. was accounted for as a joint venture of the Group.

In June 2018, the Group disposed of its 65% equity interests in Greentown Commercial Factoring (Shanghai) Co., Ltd. to an associate for a cash consideration of approximately RMB130,000,000. After the disposal, Greentown Commercial Factoring (Shanghai) Co., Ltd. was accounted for as an associate of the Group.

In June 2018, the Group disposed of its 100% equity interests in Zhejiang Greentown Materials and Equipments Co., Ltd. ("Zhejiang Greentown Materials") to an associate for a cash consideration of approximately RMB50,710,000. Hong Kong Greentown Decoration Trading Development Limited and Hong Kong Greentown Trading and Development Co., Ltd. are whollyowned subsidiaries of Zhejiang Greentown Materials, therefore were also disposed by the Group. After the disposal, Hong Kong Greentown Decoration Trading Development Limited, Hong Kong Greentown Trading and Development Co., Ltd. and Zhejiang Greentown Materials were accounted for as associates of the Group.

In August 2018, the Group disposed of its 66.5% equity interests in Hangzhou Shengtuo Investment Co., Ltd. ("Hangzhou Shengtuo") to a joint venture for a cash consideration of approximately RMB5,000,000. Beijing Jingxi Real Estate Development Co., Ltd. is a wholly-owned subsidiary of Hangzhou Shengtuo, therefore was also disposed by the Group. After the disposal, Hangzhou Shengtuo and Beijing Jingxi Real Estate Development Co., Ltd. were accounted for as joint ventures of the Group.

38. Disposal of Subsidiaries (continued)

In September 2018, the Group lost its 50% equity interests in Shanghai Lvlong Real Estate Development Co., Ltd. ("Shanghai Lvlong"), as an independent third party make capital increment of RMB20,000,000 to Shanghai Lvlong.

A summary of the effects of the disposal of these subsidiaries is as follows:

	2018 RMB'000
Net assets disposed of:	
Property, plant and equipment	3,020
Rental paid in advance	1,189
Deferred tax assets	470
Property under development	9,579,638
Inventories	34
Trade and other receivables, deposits and prepayments	217,759
Amounts due from related parties	13,716,337
Prepaid income taxes	196
Prepaid other taxes	31
Other current assets	5,289
Bank balances and cash	364,670
Assets classified as held for sale	1,339,427
Contract liabilities	(8,695)
Trade and other payables	(293,605)
Amounts due to related parties	(18,989,859)
Income taxes payables	(449)
Other taxes payables	(1,459)
Bank borrowings	(4,349,978)
Liabilities associated with assets classified as held for sale	(1,128,538)
	455,477
Transferred to interests held and classified as an associate and joint ventures	(64,963)
Transferred to interests held and classified as an investment in equity instrument at FVTOCI	(453)
Net gain on disposal of subsidiaries	509,040
Non-controlling interests	(18,650)
Total consideration	880,451
Satisfied by:	
Cash received	5,000
Cash received in prior years	248,000
Consideration receivable	340,710
Interest in joint ventures	286,741
	880,451
Net cash inflow arising on disposal:	
Cash received	5,000
Bank balances and cash disposed of	(364,670)
	(359,670)

39. Operating Leases

The Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments made under operating leases in respect of buildings during the year	**156,467**	117,743

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**67,470**	47,705
In the second to fifth year inclusive	**133,453**	89,368
After the fifth year	**21,905**	25,760
	222,828	162,833

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are negotiated for a term ranging from 1 to 6 years with fixed rentals.

The Group as lessor

	2018 RMB'000	2017 RMB'000
Property rental income, net of negligible outgoings	**154,064**	89,528

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 RMB'000	2017 RMB'000
Within one year	**127,159**	79,352
In the second to fifth year inclusive	**411,100**	157,629
After the fifth year	**316,803**	355,764
	855,062	592,745

Property rental income represents rentals receivable by the Group. Leases are negotiated for a term ranging from 1 to 20 years with fixed rentals.

40. Commitments

	2018 RMB'000	2017 RMB'000
Commitments contracted for but not provided in the consolidated financial statements in respect of:		
Properties for development and properties under development and construction in progress	**25,908,743**	19,815,145

In addition to the above, the Group's share of the commitments of its joint ventures are as follows:

	2018 RMB'000	2017 RMB'000
Contracted for but not provided in respect of properties for development and properties under development	**3,008,069**	2,372,988

41. Share-Based Payment Transactions

2006 Share Option Scheme

The Company's 2006 share option scheme (the "2006 Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 22 June 2006 for the primary purpose of providing incentives and/or reward to directors and employees of the Group. The 2006 Share Option Scheme has been terminated upon adoption of the new share option scheme ("2016 Share Option Scheme") by ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 17 June 2016 ("Effective Date"). Upon termination of the 2006 Share Option Scheme, no further options of the 2006 Share Option Scheme can be offered thereunder but the provisions of the 2006 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to its termination and options granted prior to such termination shall continue to be valid and exercisable.

Share options granted under the 2006 Share Option Scheme may be exercised at any time from the date of grant of the share option to the expiry of the Share Option Scheme, unless otherwise specified in the Share Option Scheme. The exercise price is determined by the Board, and will not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

41. Share-Based Payment Transactions (continued)

2006 Share Option Scheme (continued)

Details of specific categories of options granted in 2009 are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price	Fair value
2009A	22/1/2009	22/1/2009-21/1/2011	22/1/2009-21/1/2019	HK$2.89	HK$1.19
2009B	13/5/2009	13/5/2009-12/5/2012	13/5/2009-12/5/2019	HK$7.16	HK$3.41
2009C	22/6/2009	22/6/2009-21/6/2011	22/6/2009-21/6/2019	HK$11.00	HK$4.71
2009D	17/7/2009	17/7/2009-16/7/2011	17/7/2009-16/7/2019	HK$11.59	HK$4.17

The closing prices of the Company's shares on 22 January, 13 May, 22 June and 17 July 2009, the dates of grant, were HK$2.75, HK$7.16, HK$11.00 and HK$11.52 respectively.

The share options are exercisable during the following periods:

2009A
(i) up to 50% of the share options granted to each grantee from 22 January 2009;
(ii) up to 75% of the share options granted to each grantee at any time after the expiration of 12 months from 22 January 2009; and
(iii) all the remaining share options granted to each grantee at any time after the expiration of 24 months from 22 January 2009, and in each case, not later than 21 January 2019.

2009B
(i) up to 33% of the share options granted to each grantee from 13 May 2009;
(ii) up to 67% of the share options granted to each grantee at any time after the expiration of 24 months from 13 May 2009; and
(iii) all the remaining share options granted to each grantee at any time after the expiration of 36 months from 13 May 2009, and in each case, not later than 12 May 2019.

2009C
(i) up to 50% of the share options granted to each grantee from 22 June 2009;
(ii) up to 75% of the share options granted to each grantee at any time after the expiration of 12 months from 22 June 2009; and
(iii) all the remaining share options granted to each grantee at any time after the expiration of 24 months from 22 June 2009, and in each case, not later than 21 June 2019.

2009D
(i) up to 50% of the share options granted to each grantee from 17 July 2009;
(ii) up to 75% of the share options granted to each grantee at any time after the expiration of 12 months from 17 July 2009; and
(iii) all the remaining share options granted to each grantee at any time after the expiration of 24 months from 17 July 2009, and in each case, not later than 16 July 2019.

41. Share-Based Payment Transactions (continued)

2006 Share Option Scheme (continued)

The estimated fair values of the 2009A, 2009B, 2009C and 2009D share options at their respective dates of grant are RMB39,173,000, RMB30,023,000, RMB168,173,000 and RMB55,132,000 respectively.

No expense was recognised in the profit or loss (2017: Nil) in relation to share options granted under 2006 Share Option Scheme.

2016 Share Option Scheme

The Company's 2016 Share Option Scheme was adopted pursuant to an ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 17 June 2016 for the primary purpose of providing incentives to directors and eligible employees.

Under the Scheme, the total number of shares in respect of which share options may be granted under the 2016 Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares in issue at any point of time, without prior approval from the Company's shareholders. Share options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Share options shall only be exercised on a date on which the latest closing price per share as stated in the Stock Exchange's daily quotation sheets represents at least 30% above the exercise price and any shares under such share options shall only be issued on a date which the latest closing price per share as stated in the Stock Exchange's daily quotation sheets represents at least 30% above the exercise price. The exercise price is determined by the Board, and shall be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

On 27 December 2017, 100,000,000 share options under 2016 Share Option Scheme were granted to eligible parties, (among the options granted, 35,350,000 share options were granted to directors), representing 4.62% of the ordinary shares of the Company in issue at that date. On 28 August 2018, 8,900,000 share options under 2016 Share Option Scheme were granted to eligible parties, representing 0.41% of the ordinary shares of the Company in issue at that date.

41. Share-Based Payment Transactions (continued)

2016 Share Option Scheme (continued)

Details of options granted on 27 December 2017 ("2017") are as follows:

	Vesting period	Exercisable period
The first 30% of the grant	From date of grant to the 1st anniversary	From the 1st anniversary to 26 December 2027
The second 30% of the grant	From date of grant to the 2nd anniversary	From the 2nd anniversary to 26 December 2027
The third 20% of the grant	From date of grant to the 3rd anniversary	From the 3rd anniversary to 26 December 2027
The fourth 10% of the grant	From date of grant to the 4th anniversary	From the 4th anniversary to 26 December 2027
The remaining 10% of the grant	From date of grant to the 5th anniversary	From the 5th anniversary to 26 December 2027

Details of options granted on 28 August 2018 ("2018") are as follows:

	Vesting period	Exercisable period
The first 30% of the grant	From date of grant to the 1st anniversary	From the 1st anniversary to 27 August 2028
The second 30% of the grant	From date of grant to the 2nd anniversary	From the 2nd anniversary to 27 August 2028
The third 20% of the grant	From date of grant to the 3rd anniversary	From the 3rd anniversary to 27 August 2028
The fourth 10% of the grant	From date of grant to the 4th anniversary	From the 4th anniversary to 27 August 2028
The remaining 10% of the grant	From date of grant to the 5th anniversary	From the 5th anniversary to 27 August 2028

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

	The options granted on 27 December 2017	The options granted on 28 August 2018
Share price at the date of grant	HK$9.1	HK$7.8
Exercise price	HK$9.1	HK$8.326
Expected life	10 years	10 years
Expected volatility of the Company's share price	55.28%	54.81%
Expected dividend yield	4.33%	3.1%
Risk-free rates of interest	1.94%	2.201%
Exercise market condition	at least 30% above the exercise price	at least 30% above the exercise price

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected dividend yield has taken into account the historical dividend yield of the Company. The risk-free interest rates are based on the yield curve fitted by market yields of the Hong Kong government bonds with similar duration to the expected life of the share option.

41. Share-Based Payment Transactions (continued)

2016 Share Option Scheme (continued)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The estimated fair value of the options granted on 27 December 2017 was HK$358,000,000 (approximately RMB299,753,000). The estimated fair value of the options granted on 28 August 2018 was HK$29,454,000 (approximately RMB25,534,000).

The Group has recognised the total expense of RMB134,466,000 in the profit or loss in relation to share options granted under 2016 Share Option Scheme.

Share option movement

The following table discloses movements of the Company's share options held by directors and employees during the year:

Option type	Outstanding at 1/1/2018	Granted during the year	Exercised during year	Forfeited during year	Outstanding at 31/12/2018
2009A	**5,044,500**	**–**	**(2,984,500)**	**–**	**2,060,000**
2009B	**3,359,000**	**–**	**–**	**–**	**3,359,000**
2009C	**29,238,000**	**–**	**(113,000)**	**(24,500)**	**29,100,500**
2009D	**15,000,000**	**–**	**–**	**(15,000,000)**	**–**
2017	**100,000,000**	**–**	**–**	**–**	**100,000,000**
2018	**–**	**8,900,000**	**–**	**–**	**8,900,000**
	152,641,500	**8,900,000**	**(3,097,500)**	**(15,024,500)**	**143,419,500**
Weighted average exercise price	**HK$9.46**	**HK$8.33**	**HK$3.19**	**HK$11.59**	**HK$9.30**
Exercisable at the end of the year					**64,519,500**
Weighted average exercise price					**HK$9.66**

Option type	Outstanding at 1/1/2017	Granted during the year	Exercised during year	Forfeited during year	Outstanding at 31/12/2017
2009A	7,374,500	–	(2,383,000)	53,000	5,044,500
2009B	3,359,000	–	–	–	3,359,000
2009C	29,238,000	–	–	–	29,238,000
2009D	15,000,000	–	–	–	15,000,000
2017	–	100,000,000	–	–	100,000,000
	54,971,500	100,000,000	(2,383,000)	53,000	152,641,500
Weighted average exercise price	HK$9.84	HK$9.10	HK$2.89	HK$2.89	HK$9.46
Exercisable at the end of the year					52,641,500
Weighted average exercise price					HK$10.15

41. Share-Based Payment Transactions (continued)

Share option movement (continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$10.50 (2017: HK$8.96).

HK$1.00 is payable for each acceptance of grant of share options. In addition, (i) in respect of the 2009A share options, certain grantees were required to pay an option premium of HK$1.00 per share option up front; and (ii) in respect of the 2009C share options, certain grantees were required to pay an option premium of HK$3.50 per share option in three annual instalments. As at 31 December 2018, share option premiums receivable amounting to RMB nil (31 December 2017: RMB62,844,000) were included in other receivables according to the payment terms of the share option premiums.

42. Pledge of Assets

At the end of the reporting period, the following assets were pledged to banks and other parties to secure credit facilities granted to the Group:

	2018 RMB'000	2017 RMB'000
Property plant and equipment	**2,632,015**	3,979,070
Prepaid lease payment	**308,532**	405,927
Properties for development	**831,446**	2,776,070
Properties under development	**54,505,737**	27,430,019
Completed properties for sale	**793,258**	130,095
Investment properties	**2,423,938**	940,000
Amount due from related parties	**500,000**	–
Pledged bank deposits	**4,871,831**	5,907,338
Interests in associates	**147,881**	499,938
Interests in joint ventures	**–**	290,418
	67,014,638	42,358,875

43. Retirement Benefits Plans

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

For the year ended 31 December 2018

44. Contingent Liabilities

(i) Guarantees

The Group provided guarantees of RMB33,973,731,000 (2017: RMB30,777,464,000) at 31 December 2018 to banks in favour 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. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

The Group also provided guarantees to banks and other parties in respect of credit facilities utilised by the following companies:

	2018 RMB'000	2017 RMB'000
Credit guarantees provided to:		
Associates	**7,831,428**	9,300,000
Joint ventures	**8,338,367**	7,464,340
	16,169,795	16,764,340

	2018 RMB'000	2017 RMB'000
Mortgage and charge guarantees provided to:		
Associates	**175,000**	–
Total	**16,344,795**	16,764,340

Contingent liabilities arising from interests in associates at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Share of mortgage loan guarantees provided by associates to banks in favour of its customers	**5,494,304**	3,588,963

Contingent liabilities arising from interests in joint ventures at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Share of mortgage loan guarantees provided by joint ventures to banks in favour of its customers	**1,076,336**	4,098,424

The directors consider that the fair value of the above guarantees is insignificant on initial recognition and there was no loss allowance recognised for expected credit losses during the reporting period (2017: it is not probable that an outflows in settlement will be required).

45. 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 maximising the return to shareholders through the optimisation 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 debt, which includes the borrowings disclosed in notes 31, 32, 33, 34 and 48(ii) (net of cash and cash equivalents), and capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

46. Financial Instruments

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	**87,188,465**	N/A
Loans and receivables (including cash and cash equivalents)	**N/A**	69,680,192
Available-for-sale investments	**–**	983,830
Equity instruments at FVTOCI	**1,275,682**	–
Financial liabilities		
Amortised cost	**136,645,999**	107,642,442

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, senior notes' early redemption options, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, corporate debt instruments, senior notes and receipts under securitisation arrangements. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group has bank balances, equity instruments at FVTOCI, other receivables, amounts due from related parties, other payables, amounts due to related parties, bank and other borrowings and senior notes denominated in foreign currencies, which expose the Group to foreign currency risk.

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:

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Hong Kong dollars ("HKD")	**741,519**	1,039,284	**2,788,659**	22,122
United States dollars ("USD")	**6,189,099**	3,872,532	**12,397,613**	12,494,813

The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the fluctuations in exchange rates between RMB and HKD/USD. The exposure in HKD/USD arises mainly from the Group's bank balances and cash, equity instruments at fair value through other comprehensive income, other receivables, other payables, bank and other borrowings, senior notes and amounts due from/to related parties.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other comprehensive income where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on post-tax profit and other comprehensive income.

	HKD Impact		USD Impact	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Profit or loss	**104,149**	(11,499)	**232,819**	323,336
Other comprehensive income (note)	**(36,508)**	(35,526)	**–**	–

Note: This is attributable to foreign currency exposure on listed equity instruments at FVTOCI.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, amounts due from/ to related parties, bank and other borrowings, senior notes, corporate debt instruments and receipts under securitisation arrangements (see notes 29, 31, 32, 33, 34 and 48 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits, amounts due from/to related parties and bank and other borrowings (see notes 29, 31 and 48 for details).

The Group does not use any derivative contracts to hedge against its exposure to interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market deposit and lending interest rates for non-derivative instruments. For variable-rate bank deposits, bank and other borrowings and amounts due from/to related parties, the analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 5 basis point (2017: 5 basis point) increase or decrease in market deposit interest rates and a 50 basis point (2017: 50 basis point) increase or decrease in market lending interest rates represent management's assessment of the reasonably possible change in interest rates.

If the market deposit interest rates had been 5 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would have increased/decreased by RMB16,691,000 (2017: increased/decreased by RMB12,216,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

If the market lending interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would have decreased/increased by RMB123,469,000 (2017: decreased/increased by RMB76,737,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and amounts due from/to related parties.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong and unlisted equity securities. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the equity instruments had been 10% (2017: 10%) higher/lower, investments revaluation reserve would increase/decrease by RMB127,568,000 (2017: increase/decrease by RMB71,052,000).

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 44.

The Group's credit risk is primarily attributable to its trade receivables, other receivables, amounts due from related parties, pledged bank deposits, bank balances, contract assets and financial guarantee contracts.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances based on provision matrix (2017: incurred loss model).

Other receivables

The credit risk of other receivables is managed through an internal process. The Group actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Amounts due from related parties

The credit risk of amounts due from related parties is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition.

Bank balances and cash and pledged bank deposit

Cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Group's credit risk on liquid funds is limited.

Contingent liabilities in relation to the financial guarantees

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price drop significantly, which the probability is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk in relation to financial guarantees from mortgage loans is largely mitigated.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. Other than the concentration of credit risk on liquid funds which are deposited with several large state-owned banks and commercial banks in the PRC, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment for trade receivables and contract assets comprises the following categories:

Internal credit rating	Description	Basis for recognition of expected credit loss provision
Low risk	The counterparty has a low risk of default or counterparty has past due debts but usually settles after due date.	Lifetime ECL – not credit impaired
Doubtful	Interest and/or principal repayments are 90 days past due, the Group considers that default has occurred.	Lifetime ECL – credit impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written-off

The Group's internal credit risk grading assessment for other receivables and amounts due from related parties comprises the following categories:

Internal credit rating	Description	Basis for recognition of expected credit loss provision
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Low risk	Interest and/or principal repayments are 30 days past due, but the counterparty still has a strong capacity to meet contractual cash flows.	Lifetime ECL – not credit impaired
Watch list	Interest and/or principal repayments are 30 days past due, or the Group considers that there is significant increases in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Doubtful	Interest and/or principal repayments are 90 days past due, the Group considers that default has occurred.	Lifetime ECL – credit impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written-off

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and financial guarantee contracts which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivable	27	N/A	Note 1	Lifetime ECL (provision matrix)	920,634
			Loss	Lifetime ECL (credit impaired)	58,868
					979,502
Other receivables and amounts due from	27 & 48	N/A	Performing	12-month ECL	27,140,517
			Low risk & Watch list	Lifetime ECL (not credit impaired)	10,109,574
			Doubtful & Loss	Lifetime ECL (credit impaired)	1,140,573
					38,390,664
Pledged bank deposits	29	AAA – A (Note 2)	N/A	12-month ECL	4,871,831
Bank balances and cash	29	AAA – A (Note 2)	N/A	12-month ECL	43,347,301
Contract assets	28	N/A	Note 1	Lifetime ECL (not credit impaired)	1,887,085
Financial guarantee contracts	44	N/A	Note 3	12-month ECL	56,853,166

Notes:

1. For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix based on aged days.

2. External credit rating disclosed by the counterparty financial institutions and banks, majority of which are located in the PRC.

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. The maximum amount that the Group has guaranteed under the respective contracts was RMB56,853,166,000 as at 31 December 2018. At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. The directors of the Company considered that the 12m ECL allowance is insignificant at January 1, 2018 and December 31, 2018.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property sales, hotel operations, project management, design and decoration and sales of construction materials operating segments because these operating segments have large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group assessed the impairment for its customers from these operating segments separately, and the information about the exposure to credit risk for these trade receivables based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired) are presented below. Debtors with significant outstanding balances with gross carrying amounts of RMB58,868,000 respectively that was defaulted as at 31 December 2018 were assessed individually.

	Range of loss rate	Trade receivables RMB'000
Gross carrying amount		
Within 90 days	0.03%-1.0%	548,324
91–180 days	0.5%-3.4%	55,317
181–365 days	0.5%-4.8%	125,062
Over 365 days	4.2%-20%	191,931
		920,634

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

For the year ended 31 December 2018

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' aging (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 31 December 2017 under IAS 39	–	56,375	56,375
Adjustment upon application of IFRS 9	32,123	–	32,123
As at 1 January 2018 – As restated	32,123	56,375	88,498
– Transfer to credit-impaired	(1,558)	1,558	–
– Impairment losses recognised	11,833	2,343	14,176
– Impairment losses reversed	–	(585)	(585)
– Others	–	(823)	(823)
As at 31 December 2018	**42,398**	**58,868**	**101,266**

The impairment losses recognised in lifetime ECL (not credit impaired) during the year 2018 is mainly due to the increase in the gross carry amount of trade receivables.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – internal credit rating

The following table provides information about the exposure to credit risk and ECL for other receivables and amounts due from related parties which are assessed collectively. In addition to the internal credit ratings as stated above, the Group further assessed the impairment for other receivables and amounts due from related parties from the different operating segments separately, and the information about the exposure to credit risk for these other receivables and amounts due from related parties based on provision matrix as at 31 December 2018 within 12-month ECL and life time (not credit impaired) are presented below. Debtors with significant outstanding balances with gross carrying amounts of RMB6,033,597,000 respectively as at 31 December 2018 were assessed individually.

	Range of loss rate	Other receivables and amounts due from related parties RMB'000
Gross carrying amount		
Normal risk	0.1%-1.0%	27,140,516
Low risk	1.6%-6.9%	4,502,598
Watch list	16.2%-38.0%	713,953
		32,357,067

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for other receivables and amounts due from related parties under the simplified approach.

	12-month ECL RMB'000	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 31 December 2017 under IAS 39	–	23,730	981,658	1,005,388
Adjustment upon application of IFRS 9	59,973	220,460	–	280,433
As at 1 January 2018 – As restated	59,973	244,190	981,658	1,285,821
As at 1 January – As restated:				
– Transfer to lifetime ECL	(37)	37	–	–
– Transfer to credit-impaired	–	(62,411)	62,411	–
– Impairment losses recognized	156	1,211,814	217,402	1,429,372
– Impairment losses reversed	(1,048)	–	(159,181)	(160,229)
– Other	–	–	38,283	38,283
As at 31 December 2018	**59,044**	**1,393,630**	**1,140,573**	**2,593,247**

Changes in the loss allowance for other receivables and amounts due from related parties are mainly due to:

	31/12/2018		
		Increase in lifetime ECL	
	Increase in 12-month ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
One debtors with a gross carrying amount of RMB184,000,000 defaulted	–	–	184,000
Serval debtors with a gross carrying amount of RMB4,702,577,000 recognised impairment loss	–	954,050	–
Total	–	954,050	184,000

Impairment losses reversed in lifetime ECL (credit impaired) during the year 2018 is due to the repayment from the debtor.

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2018 RMB'000
2018						
Non-derivative financial liabilities						
Trade and other payables	–	26,779,077	1,680,180	–	28,459,257	28,459,257
Bank and other borrowings						
– fixed-rate	5.60%	2,290,201	7,921,497	–	10,211,698	9,199,900
– variable-rate	5.02%	13,737,837	28,910,807	2,914,259	45,562,903	40,441,452
Amounts due to related parties						
– interest-free	–	9,527,370	–	–	9,527,370	9,527,370
– fixed-rate	6.96%	17,818,288	–	–	17,818,288	16,659,500
– variable-rate	1.17%	547,975	–	–	547,975	541,612
Senior notes	5.88%	197,858	3,563,506	–	3,761,364	3,355,113
Corporate debt instruments	5.39%	5,385,946	25,649,684	–	31,035,630	26,866,599
Receipts under securitisation arrangements	5.29%	79,350	1,725,638	–	1,804,988	1,595,196
Financial guarantee contracts	–	56,853,166	–	–	56,853,166	–
		133,217,068	69,451,312	2,914,259	205,582,639	136,645,999

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	On demand or less than 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2017 RMB'000
2017						
Non-derivative financial liabilities						
Trade and other payables	–	18,477,797	1,562,879	–	20,040,676	20,040,676
Bank and other borrowings						
– fixed-rate	6.27%	6,493,870	7,673,885	410,266	14,578,021	13,076,576
– variable-rate	4.41%	8,121,623	16,623,248	1,701,831	26,446,702	24,106,089
Amounts due to related parties						
– interest-free	–	14,781,870	–	–	14,781,870	14,781,870
– fixed-rate	7.77%	14,006,681	–	–	14,006,681	12,997,036
– variable-rate	6.14%	2,246,635	–	–	2,246,635	2,116,597
Senior notes	5.88%	197,858	3,596,864	–	3,794,722	3,149,003
Corporate debt instruments	5.07%	5,746,617	12,421,542	–	18,168,159	15,782,704
Receipts under securitisation arrangements	5.29%	79,350	1,725,638	–	1,804,988	1,591,891
Financial guarantee contracts	–	47,541,804	–	–	47,541,804	–
		117,694,105	43,604,056	2,112,097	163,410,258	107,642,442

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.

The amounts included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ from those interest rate estimates determined at the end of the reporting period.

46. Financial Instruments (continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial instrument	Fair value RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Listed equity investment	Equity instruments at FVTOCI: 730,162 (31 December 2017: Available-for-sale investments: 710,519)	Level 1	Quoted bid prices in an active market.	N/A
Unquoted equity investments	Equity instruments at FVTOCI: 545,520 (31 December 2017: Available-for-sale investments: at cost)	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected dividend income and ultimate disposal proceed.	Long-term pre-tax operating margin taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 10.7-17.7 per cent (2017: 10.7-17.7 per cent).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	2018		2017	
	Carrying amount of liability component RMB'000	**Fair value RMB'000**	Carrying amount of liability component RMB'000	Fair value RMB'000
Financial liabilities				
Senior notes (Level 2)	**3,355,113**	**3,360,155**[1]	3,149,003	3,371,909[1]
Corporate debt instruments (Level 2)	**26,866,599**	**27,353,999**[1]	15,782,704	15,754,165[1]
Receipts under securitisation arrangements (Level 2)	**1,595,196**	**1,600,000**[1]	1,591,891	1,600,000[1]

1 Based on quoted price

There were no transfer into or out of Level 2 during both years.

47. Reconcilation of Liabilities Arising from Financial Activities

The tables below details change in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings RMB'000 (note 31)	Senior notes RMB'000 (note 32)	Corporate debt instruments RMB'000 (note 33)	Receipts under securitisation arrangements RMB'000 (note 34)	Amount due to related parties RMB'000 (note 48(ii))	Dividend payable RMB'000	Total RMB'000
At 1 January 2018	37,182,665	3,149,003	15,782,704	1,591,891	29,895,503	–	87,601,766
Financing cash flows	10,914,417	(199,295)	9,791,116	(76,463)	15,844,801	(1,309,766)	34,964,810
Acquisition of subsidiaries (note 37)	2,257,000	–	–	–	110,055	–	2,367,055
Disposal of subsidiaries (note 38)	(4,349,978)	–	–	–	(18,989,859)	–	(23,339,837)
Foreign exchange translation	316,671	164,849	–	–	–	–	481,520
Interest expenses	3,320,577	240,556	1,292,779	79,768	482,982	–	5,416,662
Net off amount due from an associate	–	–	–	–	(615,000)	–	(615,000)
Dividends declared	–	–	–	–	–	1,309,766	1,309,766
At 31 December 2018	49,641,352	3,355,113	26,866,599	1,595,196	26,728,482	–	108,186,742

47. Reconcilation of Liabilities Arising from Financial Activities (continued)

	Bank and other borrowings RMB'000 (note 31)	Senior notes RMB'000 (note 32)	Corporate debt instruments RMB'000 (note 33)	Receipts under securitisation arrangements RMB'000 (note 34)	Amount due to related parties RMB'000 (note 48(ii))	Dividend payable RMB'000	Total RMB'000
At 1 January 2017	36,021,313	4,896,445	6,916,290	–	17,072,087	–	64,906,135
Financing cash flows	(388,387)	(1,855,364)	8,185,733	1,551,817	12,795,848	(1,407,352)	18,882,295
Acquisition of subsidiaries (note 37)	1,035,000	–	–	–	625,464	–	1,660,464
Disposal of subsidiaries	(549,234)	–	–	–	(1,399,174)	–	(1,948,408)
Foreign exchange translation	(737,119)	(258,162)	–	–	–	–	(995,281)
Interest expenses	1,801,092	366,084	680,681	40,074	829,822	–	3,717,753
Dividends declared	–	–	–	–	–	1,407,352	1,407,352
Transfer to held for sales	–	–	–	–	(28,544)	–	(28,544)
At 31 December 2017	37,182,665	3,149,003	15,782,704	1,591,891	29,895,503	–	87,601,766

48. Related Party Disclosures

(i) During the year, in addition to those disclosed in other notes to the consolidated financial statements, the Group entered into the following transactions with related parties:

	2018 RMB'000	2017 RMB'000
Sale of materials to joint ventures and associates (note)	–	5,094
Construction service income from associates (note)	9,159	–
Rental expenses paid/payable to Shareholders' Companies	8,737	9,109
Purchases from joint ventures and associates (note)	78,929	604
Purchase of investment property from a joint venture (note)	–	150,000
Interior decoration service fees paid/payable to Shareholders' Companies	–	2,471
Interest income arising from amounts due from:		
– associates (note)	319,013	379,838
– joint ventures (note)	638,793	105,631
– non-controlling shareholders	30,907	48,522
Interest expense arising from amounts due to:		
– associates (note)	55,619	503,240
– joint ventures (note)	74,319	109,018
– non-controlling shareholders	352,443	368,321
– Shareholders' Companies	27,508	27,071
Advertising expenses paid/payable to:		
– joint ventures (note)	94,340	–
– Shareholders' Companies	–	70,000
Comprehensive service income from joint ventures and associates (note)	2,721	74,881
Hotel service income from associates (note)	–	288
Interior decoration service income from:		
– joint ventures and associates (note)	704,127	449,912
– Shareholders' Companies	293	827
Healthcare service fee to Shareholders' Companies	111	867
Landscape construction fee to associates (note)	12,952	35,866
Educational services framework fee to Shareholders' Companies	6,660	757

Note: The transactions with associates and joint ventures are presented gross before elimination of unrealised profits or losses attributable to the Group.

The transactions above are presented net of taxes.

The directors considered that the transactions above were carried out in accordance with the terms agreed with the counterparties.

Mr SONG Weiping, Ms XIA Yibo and CCCG are each a "Shareholder", and collectively the "Shareholders", of the Company. Shareholders' Companies represent companies owned by the Shareholders and affiliates.

For the year ended 31 December 2018

48. Related Party Disclosures (continued)

(ii) As at the end of the reporting period, the Group had balances with related parties, which are all unsecured, as follows:

	2018						
	Project-related		Non-project related		Sub Total		
	Interest bearing RMB'000	Non-interest bearing RMB'000	Interest bearing RMB'000	Non-interest bearing RMB'000	Interest bearing RMB'000	Non-interest bearing RMB'000	Total RMB'000
Due from Shareholders' Companies	–	38,264	–	10,076	–	48,340	48,340
Non-controlling shareholders	885,169	12,600,165	–	–	885,169	12,600,165	13,485,334
Associates	6,839,448	743,065	–	8,491	6,839,448	751,556	7,591,004
Joint ventures	8,802,207	3,325,787	–	123,274	8,802,207	3,449,061	12,251,268
Officers	–	–	–	–	–	–	–
Shareholder	–	–	–	–	–	–	–
	16,526,824	16,707,281	–	141,841	16,526,824	16,849,122	33,375,946
Due to Shareholders' Companies	149,089	92,115	–	–	149,089	92,115	241,204
Non-controlling shareholders	10,723,450	2,310,218	–	72,588	10,723,450	2,382,806	13,106,256
Associates	4,423,255	6,144,620	–	25,961	4,423,255	6,170,581	10,593,836
Joint ventures	1,905,318	827,578	–	–	1,905,318	827,578	2,732,896
Officers	–	–	–	37,237	–	37,237	37,237
Shareholder	–	–	–	17,053	–	17,053	17,053
	17,201,112	9,374,531	–	152,839	17,201,112	9,527,370	26,728,482

	2017						
	Project-related		Non-project related		Sub Total		
	Interest bearing RMB'000	Non-interest bearing RMB'000	Interest bearing RMB'000	Non-interest bearing RMB'000	Interest bearing RMB'000	Non-interest bearing RMB'000	Total RMB'000
Due from Shareholders' Companies	–	35,148	–	923	–	36,071	36,071
Non-controlling shareholders	1,738,993	10,282,891	–	31,420	1,738,993	10,314,311	12,053,304
Associates	5,255,245	3,093,995	–	–	5,255,245	3,093,995	8,349,240
Joint ventures	1,071,535	7,642,245	–	–	1,071,535	7,642,245	8,713,780
Officers	–	25,193	–	–	–	25,193	25,193
Shareholder	–	–	–	800	–	800	800
	8,065,773	21,079,472	–	33,143	8,065,773	21,112,615	29,178,388
Due to Shareholders' Companies	600,086	4,210	–	7,388	600,086	11,598	611,684
Non-controlling shareholders	8,929,816	5,379,046	–	–	8,929,816	5,379,046	14,308,862
Associates	2,207,621	7,818,463	–	–	2,207,621	7,818,463	10,026,084
Joint ventures	3,376,110	1,546,406	–	–	3,376,110	1,546,406	4,922,516
Officers	–	–	–	7,545	–	7,545	7,545
Shareholder	–	–	–	18,812	–	18,812	18,812
	15,113,633	14,748,125	–	33,745	15,113,633	14,781,870	29,895,503

The above amounts due from related parties are presented before accumulative impairment losses of RMB1,528,014,000 (2017: RMB831,704,000).

48. Related Party Disclosures (continued)

(ii) As at the end of the reporting period, the Group had balances with related parties, which are all unsecured, as follows: (continued)

In respect of project-related balances with related parties:

(a) The trade balances due from Shareholders' Companies are mainly construction receivables and trade receivables.

Construction receivables are billed according to the construction contracts and are settled within one to two months after the construction cost incurred are verified and agreed.

Trade receivables arise mainly from materials sales and are with a normal credit terms of two months.

(b) The project-related balances due from non-controlling shareholders are mainly prepaid distributions. The project-related balances due from joint ventures/associates are mainly project advances to these joint ventures/associates and are tied to the project development cycle. In the opinion of the directors, these balances are expected to be settled when the projects concerned commence pre-sales.

(c) The amounts due to Shareholders' Companies arise mainly from loan of a CCCG's fellow subsidiary.

(d) The project-related balances due to non-controlling shareholders are mainly project advances from these non-controlling shareholders and are tied to the project development cycle. In the opinion of the directors, these balances are repayable on demand and are expected to be settled when the projects concerned commence pre-sales.

(e) The project-related balances due to joint ventures/associates are mainly prepaid distributions.

The non-project related balances with related parties are mainly unsecured advances and repayable on demand.

The non-interest bearing balances due to shareholder and officers are emoluments payable. The maximum outstanding amount of amount due from shareholder is RMB800,000 both in 2018 and 2017. The maximum outstanding amount of amount due from officers are RMB nil in 2018 and 2017. The other non-interest bearing balances due from (to) related parties are unsecured and repayable on demand.

48. Related Party Disclosures (continued)

(ii) As at the end of the reporting period, the Group had balances with related parties, which are all unsecured, as follows: (continued)

The key terms of the interest bearing balances due from (to) related parties are as follows:

(a) The project-related amounts due from non-controlling shareholders of RMB107,059,000 (2017: RMB205,200,000) at 31 December 2018 carried interest at fixed rate of 6.30% (2017: 1.50%) per annum.

(b) The project-related amounts due from non-controlling shareholders of RMB778,110,000 (2017: RMB1,533,793,000) at 31 December 2018 carried interest at a variable rate of 5.46% (2017: 5.46%) per annum.

(c) The project-related amounts due from associates of RMB1,345,084,000 (2017: RMB823,340,000) at 31 December 2018 carried interest at a variable rate from 5.00% to 5.40% (2017: 5.46%) per annum.

(d) The project-related amounts due from associates of RMB5,494,364,000 (2017: RMB4,431,905,000) at 31 December 2018 carried interest at fixed rates ranging from 1.40% to 8.80% (2017: 1.30% to 7.50%) per annum.

(e) The project-related amounts due from joint ventures of RMB1,484,038,000 (2017: RMB144,876,000) at 31 December 2018 carried interest at a variable rate of 5.00% (2017: 7.5%) per annum.

(f) The project-related amounts due from joint ventures of RMB7,318,169,000 (2017: RMB926,659,000) at 31 December 2018 carried interest at fixed rates ranging from 1.40% to 8.80% (2017: 6.43% to 8.80%) per annum.

(g) The project-related amounts due to non-controlling shareholders of RMB35,639,000 (2017: RMB2,061,001,000) at 31 December 2018 carried interest at a variable rate of 5.50% (2017: 6.30%) per annum.

(h) The project-related amounts due to non-controlling shareholders of RMB10,687,811,000 (2017: RMB6,868,815,000) at 31 December 2018 carried interest at fixed rates ranging from 2.00% to 9.00% (2017: 5.50% to 9.00%) per annum.

(i) The project-related amounts due to associates of RMB505,974,000 (2017: RMB55,596,000) at 31 December 2018 carried interest at a variable rate ranging from 0.35% to 5.46% (2017: 0.35%) per annum.

(j) The project-related amounts due to associates of RMB3,917,281,000 (2017: RMB2,152,025,000) at 31 December 2018 carried interest at fixed rates ranging from 2.00% to 7.00% (2017: 5.46% to 10.98%) per annum.

(k) The project-related amounts due to joint ventures of RMB1,905,318,000(2017: RMB3,376,110,000) at 31 December 2018 carried interest at fixed rates ranging from 1.80% to 6.70% (2017: 1.50% to 7.40%) per annum.

(l) The project-related amounts due to Shareholders' Companies of RMB149,089,000 (2017: RMB600,086,000) at 31 December 2018 carried interest at a fixed rate of 7.52% (2017: 7.50%) per annum.

48. Related Party Disclosures (continued)

(iii) (a) During the year, in addition to those disclosed in note 37, the Group made acquisitions from related parties as follows:

	2018 RMB'000	2017 RMB'000
Purchase of additional interests in subsidiaries from non-controlling shareholders of subsidiaries and a shareholder	**748,953**	928,100

2018:

On 15 January 2018, the Group entered into an agreement with a non-controlling shareholder to acquire 1% equity interest in Greentown Hotel Assets Management Co., Ltd. for a consideration of approximately RMB353,000.

On 15 January 2018, the Group entered into an agreement with a non-controlling shareholder to acquire 3.5% equity interest in Hainan Greentown Gaodi Hotel Management Co., Ltd. for a consideration of RMB nil.

On 15 January 2018, the Group entered into an agreement with a non-controlling shareholder to acquire 12.36% equity interest in Zhejiang Greentown Construction Industry Co., Ltd. for a consideration of RMB nil.

In 26 April 2018, the Group entered into an agreement with non-controlling shareholders to acquire 7% equity interest in Xi'an Xinhongye for a consideration of RMB287,500,000.

On 31 August 2018, the Group entered into an agreement with non-controlling shareholders to acquire 50% equity interest in Zhejiang Greentown Rongxin Property Co., Ltd. for a consideration of RMB461,100,000. Beijing Ya'ao Greentown Real Estate Development Co., Ltd. is a wholly-owned subsidiary of Zhejiang Greentown Rongxin Property Co., Ltd., therefore the Group also acquired 50% equity interest in Beijing Ya'ao Greentown Real Estate Development Co., Ltd..

2017:

On 21 April 2017, the Group entered into an agreement with a non-controlling shareholder to acquire 40% equity interest in Zhoushan Greentown Weilanhai'an Real Estate Development Co., Ltd. ("Zhoushan Greentown Weilanhai'an") for a consideration of RMB18,000,000.

On 21 April 2017, the Group entered into an agreement with a non-controlling shareholder to acquire 40% equity interest in Zhoushan Greentown Weilanhai'an Hotel Management Co., Ltd. for a consideration of RMB8,000,000.

48. Related Party Disclosures (continued)

(iii) (a) During the year, in addition to those disclosed in note 37, the Group made acquisitions from related parties as follows: (continued)

On 31 October 2017, the Group entered into a series of agreements with a non-controlling shareholder to acquire 40% equity interest in Wenzhou Greentown Jiajing Real Estate Development Co., Ltd., 40% equity interest in Wenzhou Greentown Real Estate Development Co., Ltd., 20% equity interest in Wenzhou Greentown Real Estate Co., Ltd. and 10% equity interest in Wenzhou Lvjing Real Estate Co., Ltd. respectively for a total consideration of RMB736,100,000.

On 27 November 2017, the Group entered into an agreement with a non-controlling shareholder to acquire 40% equity interest in Wenzhou Jingyang Real Estate Co., Ltd. for a consideration of RMB136,000,000.

On 22 December 2017, the Group entered into an agreement with a non-controlling shareholder to acquire 40% equity interest in Greentown Hotel Assets Management Co., Ltd. for a consideration of RMB30,000,000.

(iii) (b) In 2017, the Group made disposals to related parties as follows:

	2018 **RMB'000**	2017 RMB'000
Disposal of subsidiaries to non-controlling shareholders	**–**	898
Partial disposal of interests in a subsidiary to non-controlling shareholders	**–**	128,616

In July 2017, the Group entered into an agreement to dispose of its 51% equity interest in Hangzhou Greentown Hengyu Environment Design Co., Ltd. for a cash consideration of RMB898,000 to a non-controlling shareholder.

In February 2017, the Group entered into an agreement to dispose of its 30% equity interest in Hangzhou Greentown Wharf Qi'ao Real Estate Co., Ltd. for a cash consideration of RMB30,000,000 to a non-controlling shareholder.

In December 2017, the Group entered into an agreement to dispose of its 12.36% equity interest in Greentown Decoration Project Group for a cash consideration of RMB98,616,000 to a non-controlling shareholder.

48. Related Party Disclosures (continued)

(iii) (c) On 29 January 2018, the Group entered into a framework agreement with Wharf Group and other parties thereto in relation to develop a piece of land in Xiaoshan district of Hangzhou, The PRC, into residential properties by Zhejiang Lvjiu. Pursuant to the framework agreement, the Group will transfer the entire equity interest of Hangzhou Zhiqian Investment Co., Ltd., a wholly-owned subsidiary of the Company, to Zhejiang Lvjiu. The above piece of land is owned indirectly by Hangzhou Zhiqian Investment Co., Ltd. through its wholly-owned subsidiary. The framework agreement was passed on the board of directors held on 14 April 2018 and the transfer of equity interest was accomplished in May 2018.

On 1 February 2018, the Group entered into a framework agreement with CCCC Investment Co., Ltd. and CCCC Southwest Investment and Development Co., Ltd. wholly-owned subsidiaries of CCCG, pursuant to which the parties will jointly register a company, on a 45%, 46% and 9% ownership basis respectively, for carrying out the preliminary works of the China Agricultural Expo Town Project in Chengdu, jointly building characteristic towns, pastoral complexes and other projects. The joint venture company, which constituted an associate of the Company, was established in February 2018.

On 29 March 2018, the Group entered into a financial lease arrangements with CCCC Financial Leasing Co., Ltd. a non-wholly owned subsidiary of CCCG, pursuant to which CCCC Financial Leasing Co., Ltd. would purchase the leased assets from the Greentown Financial Leasing (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company. The leased assets would be leased back by Greentown Financial Leasing (Shanghai) Co., Ltd., for a lease period of 24 months.

On 20 September 2018, the Group entered into the framework agreement with an independent party and CCCC Haixi Investment Co., Ltd., a wholly-owned subsidiary of the CCCG. Pursuant to which the parties would jointly develop a piece of land in Cangshan District of Fuzhou, the PRC, on a 80%, 10% and 10% ownership basis respectively, into residential and commercial properties. The framework agreement was passed on the board of directors held on 19 December 2018 and the joint venture company, which constituted a joint venture of the Company, was established in November 2018.

On 31 October 2018, the Group entered into the framework agreement with CCCC First Harbor Engineering Real Estate Development Co., Ltd., a non-wholly owned subsidiary of the CCCG and CCCC Beijing-Tianjin-Hebei Investment Development Company Co., Ltd., a non-wholly owned subsidiary of the CCCG. Pursuant to which the parties would jointly develop a piece of land in Hexi District of Tianjin, the PRC, on a 41%, 39% and 20% ownership basis respectively, into residential and commercial properties. The joint venture company, which constituted a subsidiary of the Company, was established in August 2018.

48. Related Party Disclosures (continued)

(iii) (c) (continued)

On 23 November 2018, the Group entered into the framework agreement with Zhichang (Beijing) Corporate Management Co., Ltd., a wholly-owned subsidiary of the Wharf Group. Pursuant to which, Hangzhou Zhenmei Investment Co., Ltd., a wholly-owned subsidiary of the Company, agreed to acquire 10% equity interest in Beijing Liangma Property Co., Ltd., from Zhichang (Beijing) Corporate Management Co., Ltd..

On 28 March 2017, the Group entered into the framework agreement with China Harbour Engineering Company Ltd and CCCG Overseas Real Estate Pte. Ltd., non-wholly owned subsidiaries of the CCCG, Pursuant to which the parties will jointly develop a piece of land in Jakarta, Indonesia, on a 10.1%, 69.7% and 20.2% ownership basis respectively, into residential and commercial properties. The framework agreement was passed on the board of directors held on 24 March 2017 and the joint venture company, which constituted an associate of the Company, was established in March 2017.

(iii) (d) On 27 December 2017, Greentown Real Estate entered into an acquisition agreement with Shareholder's Companies, Greentown Holdings and Football Club, pursuant to which Greentown Real Estate agreed to acquire and Greentown Holdings agreed to sell 50% equity interest in Football Club at the consideration of RMB331,370,000. The consideration for the acquisition will be satisfied in part by Greentown Real Estate transferring the entire equity interest in Hangzhou Rose Garden Resort and in part in cash. Please refer to note 38 for details.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**128,519**	43,311
Post-employment benefits	**337**	212
	128,856	43,523

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. Statement of Financial Position of the Company

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**153**	162
Investment in subsidiaries	**1,713,006**	1,713,006
	1,713,159	1,713,168
CURRENT ASSETS		
Other receivables	**674**	97,283
Amounts due from subsidiaries and related parties	**23,426,020**	19,914,459
Bank balances and cash	**3,538,143**	157,921
	26,964,837	20,169,663
CURRENT LIABILITIES		
Other payables	**111,336**	97,356
Amounts due to related parties	**13,263,958**	9,769,180
Other taxes payable	**7,161**	7,161
Bank and other borrowings	**1,994,457**	1,381,201
	15,376,912	11,254,898
NET CURRENT ASSETS	**11,587,925**	8,914,765
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,301,084**	10,627,933
NON-CURRENT LIABILITIES		
Bank and other borrowings	**8,365,008**	5,826,096
Senior notes	**3,355,113**	3,149,003
	11,720,121	8,975,099
	1,580,963	1,652,834
CAPITAL AND RESERVES		
Share capital	**209,501**	209,240
Reserves (note)	**1,371,462**	1,443,594
	1,580,963	1,652,834

Note:

The movement of the reserves of the Company is as follows:

	RMB'000
At 1 January 2017	2,860,936
Profit for the year	(1,165,296)
Dividend	(259,583)
Exercise of share options	5,759
Recognition of equity-settled share-based payments	1,778
At 31 December 2017	1,443,594
Profit for the year	218,920
Dividend	(433,536)
Exercise of share options	8,018
Recognition of equity-settled share-based payments	134,466
At 31 December 2018	1,371,462

50. Events after the end of the Reporting Period

The following significant events took place subsequent to 31 December 2018:

On 4 January 2019, the Group entered into a framework agreement with other parties and CCCC Urban Investment Holding Co., Limited, a subsidiary of CCCG, thereto in relation to develop a piece of land in Nansha district of Guangzhou, The PRC, into residential properties. Pursuant to the framework agreement, the Group will transfer 30% equity interest of Hangzhou Zhaolian Investment Co., Ltd., a wholly-owned subsidiary of the Company, to CCCC Urban Investment Holding Co., Limited. The above piece of land is owned indirectly by Hangzhou Zhaolian Investment Co., Ltd. through its wholly-owned subsidiary. The transfer of equity interest was completed in January 2019.

On 14 January 2019, Xi'an International Land Port Development Co., Ltd., a non-wholly owned subsidiary of the Company, entered into a construction agreement with CCCC-SHEC Fifth Engineering Co., Ltd. a subsidiary of CCCG, pursuant to which Xi'an International Land Port Development Co., Ltd., agreed to engage CCCC-SHEC Fifth Engineering Co., Ltd. as the main contractor to carry out the construction works of Phase Three of Plots 3, 4, 7 and 8 of Xi'an National Games Village.

On 19 March 2019, Greentown Real Estate, a wholly-owned subsidiary of the Company , and Zhejiang Greentown Lipu, a non-wholly owned subsidiary of the Company, were notified of the success of the bid in the tender for the Project, together with an independent thirty party and China First Highway Engineering Company Ltd, a non-wholly subsidiary of the CCCG. The Project involves the contracts for the undertaking of survey, design, and construction works for the infrastructure and common facilities on the Land including the civil engineering works, installation works, outdoor plumbing and drainage, heating and ventilation, swimming pool and parking lots for Haikou National Hi-tech Area Development Holding Co. Ltd., which is the principle.

51. Particulars of Principal Subsidiaries of the Company

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below:

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
綠城管理控股有限公司 Greentown Management Holdings Company Limited	Cayman Islands 12 December 2016	HKD0.03	100%	100%	-	–	Investment management	Wholly foreign-owned enterprise
綠城房地產集團有限公司 Greentown Real Estate	The PRC 6 January 1995	RMB4,000,000,000	-	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
綠城房地產建設管理集團有限公司 Greentown Real Estate Project Management Group Co., Ltd.	The PRC 21 March 2012	RMB200,000,000	-	–	100%	100%	Project management	Limited liability company
綠城資產管理集團有限公司 Greentown Assets Management Group Co., Ltd.	The PRC 11 August 2016	RMB5,000,000,000	-	–	100%	100%	Assets management	Limited liability company
綠城理想小鎮建設集團有限公司 Greentown Ideal Town Construction Group Co., Ltd.	The PRC 21 July 2016	RMB2,000,000,000	-	–	100%	100%	Real estate development	Limited liability company
綠城理想生活科技有限公司 Greentown Ideal Life Technology Co., Ltd.	The PRC 21 March 2017	RMB200,000,000	-	–	100%	100%	Technology research and development	Wholly foreign-owned enterprise
綠城裝飾工程集團有限公司 Greentown Decoration Project Group	The PRC 25 September 1993	RMB100,000,000	-	–	88%	88%	Design and decoration	Limited liability company

For the year ended 31 December 2018

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
新疆俊發綠城房地產開發有限公司 Xinjiang Junfa Greentown Real Estate Development Co., Ltd.	The PRC 16 January 2008	RMB211,079,000	-	–	50% (note i)	50% (note i)	Real estate development	Limited liability company
北京亞奧綠城房地產開發有限公司 Beijing Ya'ao Greentown Real Estate Development Co., Ltd.	The PRC 19 August 2008	RMB50,000,000	-	–	100% (note xi)	50% (note i)	Real estate development	Limited liability company
杭州綠城九龍倉置業有限公司 Hangzhou Greentown Wharf Real Estate Co., Ltd.	The PRC 20 Feb 2014	USD 210,000,000	-	–	50% (note i)	50% (note i)	Real estate development	Wholly foreign-owned enterprise
臨安金基房地產開發有限公司 Lin'an Jinji Real Estate Development Co., Ltd.	The PRC 22 March 2004	RMB140,000,000	-	–	18% (note i)	18% (note i)	Real estate development	Limited liability company
北京亮馬置業有限公司 Beijing Liangma Real Estate Co., Ltd.	The PRC 26 February 2016	RMB100,000,000	-	–	50% (note i)	50% (note i)	Real estate development	Limited liability company
湖南青竹湖國際商務社區開發有限公司 Hunan Bamboo Lake International Business Community Development Co., Ltd.	The PRC 26 September 2003	RMB50,600,000	-	–	49% (note ii)	49% (note ii)	Real estate development	Limited liability company
浙江綠城天臺山蓮花度假村有限公司 Zhejiang Greentown Tiantaishan Lianhua Resort Co., Ltd.	The PRC 8 August 2011	RMB170,000,000	-	–	100%	100%	Real estate development	Limited liability company
舟山綠城房地產開發有限公司 Zhoushan Greentown Real Estate Development Co., Ltd.	The PRC 16 December 1999	RMB100,000,000	-	–	100%	100%	Real estate development	Limited liability company
北京陽光綠城房地產開發有限公司 Beijing Sunshine Greentown Real Estate Development Co., Ltd.	The PRC 11 January 2001	RMB50,000,000	-	–	80%	80%	Real estate development	Limited liability company
杭州余杭綠城房地產開發有限公司 Hangzhou Yuhang Greentown Real Estate Development Co., Ltd.	The PRC 12 November 1999	RMB30,000,000	-	–	64%	64%	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
杭州余杭金騰房地產開發有限公司 Hangzhou Yuhang Jinteng Real Estate Development Co., Ltd.	The PRC 25 December 2001	RMB100,000,000	-	–	85%	85%	Real estate development	Limited liability company
青島綠城華川置業有限公司 Qingdao Greentown Huachuan Real Estate Co., Ltd.	The PRC 21 August 2007	RMB517,764,600	-	–	80%	80%	Real estate development	Sino-foreign equity joint venture
寧波太平洋實業有限公司 Ningbo Pacific Industrial Co., Ltd.	The PRC 11 July 2003	USD29,000,000	-	–	60%	60%	Real estate development	Foreign equity joint venture
台州吉利嘉苑房地產開發有限公司 Taizhou Jilijiayuan Real Estate Development Co., Ltd.	The PRC 15 October 2001	RMB40,000,000	-	–	55%	55%	Real estate development	Limited liability company
杭州綠城海企實業有限公司 （原名：杭州綠城海企房地產開發有限公司） Hangzhou Greentown Haiqi Industrial Co., Ltd. (former name: Hangzhou Greentown Haiqi Real Estate Development Co., Ltd.)	The PRC 23 November 2007	RMB1,000,000,000	-	–	100%	100%	Real estate development	Limited liability company
杭州金馬房地產有限公司 Hangzhou Golden Horse Real Estate Development Co., Ltd.	The PRC 22 October 1992	USD50,000,000	-	–	51%	51%	Real estate development	Foreign equity joint venture
浙江報業綠城房地產開發有限公司 Zhejiang Newspapering Greentown Real Estate Development Co., Ltd.	The PRC 7 July 2008	RMB1,200,000,000	-	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu Greentown Investment Real Estate Co., Ltd.	The PRC 15 June 2005	RMB30,000,000	-	–	80%	80%	Real estate development	Limited liability company
南京天浦置業有限公司 Nanjing Tianpu Real Estate Co., Ltd.	The PRC 21 November 2002	RMB50,000,000	-	–	70%	70%	Real estate development	Limited liability company
浙江嘉和實業有限公司 Zhejiang Jiahe Industrial Co., Ltd.	The PRC 25 April 1995	RMB50,000,000	-	–	100%	100%	Real estate development	Limited liability company

For the year ended 31 December 2018

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company				Principal activities	Legal form
			Direct		Indirect			
			2018	2017	2018	2017		
安徽綠城玫瑰園房地產開發有限公司 Anhui Greentown Rose Garden Real Estate Development Co., Ltd.	The PRC 23 December 2009	RMB200,000,000	–	–	100%	100%	Real estate development	Limited liability company
舟山市普陀綠城房地產開發有限公司 Zhoushan Putuo Greentown Real Estate Co., Ltd.	The PRC 5 November 2009	RMB50,000,000	–	–	90%	90%	Real estate development	Limited liability company
舟山市普陀綠城實業投資有限公司 Zhoushan Putuo Greentown Industry Investment Co., Ltd.	The PRC 5 November 2009	RMB100,000,000	–	–	100%	100%	Real estate development	Limited liability company
城建中稷(浙江)實業發展有限公司 City-Urban Construction (Zhejiang) Industrial Development Co., Ltd.	The PRC 5 February 2005	RMB160,000,000	–	–	97%	97%	Real estate development	Limited liability company
舟山市明程房地產開發有限公司 Zhoushan Mingcheng Real Estate Development Co., Ltd.	The PRC 31 October 2005	RMB10,000,000	–	–	97%	97%	Real estate development	Limited liability company
舟山市乾源房地產開發有限公司 Zhoushan Qianyuan Real Estate Development Co., Ltd.	The PRC 31 October 2005	RMB10,000,000	–	–	97%	97%	Real estate development	Limited liability company
河南錦江置業有限公司 Henan Jinjiang Real Estate Co., Ltd.	The PRC 8 August 2002	RMB80,000,000	–	–	100%	100%	Real estate development	Limited liability company
海南綠城高地投資有限公司 Hainan Greentown Gaodi Investment Co., Ltd.	The PRC 15 November 2007	RMB60,000,000	–	–	51%	51%	Real estate development	Limited liability company
杭州綠城玉園房地產開發有限公司 Hangzhou Greentown Yuyuan Real Estate Development Co., Ltd.	The PRC 11 November 2009	RMB1,300,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
大連綠城房地產開發有限公司 Dalian Greentown Real Estate Development Co., Ltd.	The PRC 11 November 2008	RMB120,000,000	–	–	80%	80%	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
青島綠城膠州灣房地產開發有限公司 Qingdao Greentown Jiaozhouwan Real Estate Development Co., Ltd.	The PRC 25 November 2009	USD100,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
新泰綠城置業有限公司 Xintai Greentown Real Estate Co., Ltd.	The PRC 12 January 2010	RMB98,000,000	–	–	70%	70%	Real estate development	Limited liability company
大連綠城置業有限公司 Dalian Greentown Real Estate Co., Ltd.	The PRC 15 March 2010	RMB100,000,000	–	–	90%	90%	Real estate development	Limited liability company
德清綠城房地產開發有限公司 Deqing Greentown Real Estate Development Co., Ltd.	The PRC 1 February 2010	RMB100,000,000	–	–	100%	100%	Real estate development	Limited liability company
紹興綠城金昌置業有限公司 Shaoxing Greentown Jinchang Real Estate Co., Ltd.	The PRC 6 November 2009	RMB100,000,000	–	–	51%	51%	Real estate development	Limited liability company
杭州銀嘉房地產開發有限公司 Hangzhou Yinjia Real Estate Development Co., Ltd.	The PRC 17 September 2003	RMB100,000,000	–	–	56%	56%	Real estate development	Limited liability company
台州綠城泰業房地產開發有限公司 Taizhou Greentown Taiye Real Estate Development Co., Ltd.	The PRC 18 February 2011	RMB130,000,000	–	–	51%	51%	Real estate development	Limited liability company
新疆鴻遠投資有限公司 Xinjiang Hongyuan Investment Co., Ltd.	The PRC 22 January 2003	RMB42,500,000	–	–	60%	60%	Real estate development	Limited liability company
浙江建德綠城置業有限公司 Zhejiang Jiande Greentown Real Estate Co., Ltd.	The PRC 6 December 2013	RMB608,000,000	–	–	100%	100%	Real estate development	Limited liability company
杭州綠城東友房產開發有限公司 Hangzhou Greentown Dongyou Real Estate Development Co., Ltd.	The PRC 11 January 2013	RMB500,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
杭州臨安綠城置業有限公司 (原名:臨安綠城置業有限公司) Hangzhou Lin'an Greentown Real Estate Co., Ltd. (former name: Lin'an Greentown Real Estate Co., Ltd.)	The PRC 2 July 2009	RMB50,000,000	–	–	100%	100%	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
諸暨市越都置業有限公司 Zhuji Yuedu Real Estate Co., Ltd.	The PRC 31 October 2008	RMB300,000,000	–	–	90%	90%	Real estate development	Limited liability company
新昌綠城佳園房地產開發有限公司 Xinchang Greentown Jiayuan Real Estate Development Co., Ltd.	The PRC 25 February 2014	RMB100,000,000	–	–	80%	80%	Real estate development	Limited liability company
淄博綠城置業有限公司 Zibo Greentown Real Estate Co., Ltd.	The PRC 25 March 2014	RMB500,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
湖州新錦江房地產開發有限公司 Huzhou Xinjinjiang Real Estate Development Co., Ltd.	The PRC 3 February 2004	RMB50,000,000	–	–	100%	100%	Real estate development	Limited liability company
新昌綠城置業有限公司 Xinchang Greentown Real Estate Co., Ltd.	The PRC 12 December 2006	RMB72,600,000	–	–	90%	90%	Real estate development	Limited liability company
北京興業萬發房地產開發有限公司 Beijing Xingye Wanfa Real Estate Development Co., Ltd.	The PRC 26 October 2000	RMB50,000,000	–	–	100%	100%	Real estate development	Limited liability company
上海華浙外灘置業有限公司 Shanghai Huazhe Bund Real Estate Co., Ltd.	The PRC 26 September 2002	RMB50,000,000	–	–	51%	51%	Real estate development	Limited liability company
浙江宏順房地產開發有限公司 Zhejiang Hongshun Real Estate Development Co., Ltd.	The PRC 11 March 2008	RMB100,000,000	–	–	80%	80%	Real estate development	Limited liability company
綠城恒基(大慶)置業有限公司 Greentown Hengji Daqing	The PRC 30 August 2011	RMB250,000,000	–	–	100%	100%	Real estate development	Limited liability company
綠城建設管理集團有限公司 (原名：杭州藍城致信建設管理有限公司) Greentown Project Management Group Co., Ltd. (former name: Hangzhou Bluetown Zhixin Project Management Co., Ltd.)	The PRC 8 September 2016	RMB1,050,000,000	–	–	100%	100%	Project management	Wholly foreign-owned enterprise

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct		Indirect		Principal activities	Legal form
			2018	2017	2018	2017		
奉化綠城房地產開發有限公司 Fenghua Greentown Real Estate Development Co., Ltd.	The PRC 5 November 2013	RMB100,000,000	–	–	80%	80%	Real estate development	Limited liability company
寧波軌道交通寧興置業有限公司 Ningbo Railway Transportation Ningxing Real Estate Co., Ltd.	The PRC 30 December 2015	RMB204,090,000	–	–	51%	51%	Real estate development	Limited liability company
浙江綠城元和房地產開發有限公司 Zhejiang Greentown Yuanhe Real Estate Development Co., Ltd.	The PRC 4 May 2009	RMB60,000,000	–	–	85%	85%	Real estate development	Limited liability company
溫州綠城置業有限公司 Wenzhou Greentown Real Estate Co., Ltd.	The PRC 21 May 2007	RMB915,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
溫州綠景置業有限公司 Wenzhou Lvjing Real Estate Co., Ltd.	The PRC 26 November 2007	RMB915,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
溫州綠城房地產開發有限公司 Wenzhou Greentown Real Estate Development Co., Ltd.	The PRC 15 February 2007	RMB768,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
溫州綠城家景房地產開發有限公司 Wenzhou Greentown Jiajing Real Estate Development Co., Ltd.	The PRC 21 May 2007	RMB386,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
溫州景楊置業有限公司 Wenzhou Jingyang Real Estate Co., Ltd.	The PRC 19 July 2010	RMB340,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
舟山綠城蔚藍海岸房地產開發有限公司 Zhoushan Greentown Weilanhai'an	The PRC 6 May 2008	RMB50,000,000	–	–	100%	100%	Real estate development	Limited liability company
臨海綠城泰業房地產開發有限公司 Linhai Greentown Taiye Real Estate Development Co., Ltd.	The PRC 20 January 2014	RMB125,000,000	–	–	100%	100%	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	2017	Indirect 2018	2017	Principal activities	Legal form
成都浙中大地產有限公司 Chengdu Zhezhongda	The PRC 23 January 2013	RMB380,000,000	–	–	60%	60%	Real estate development	Limited liability company
綠城永隆裝飾工程有限公司 （「原名：山東省永隆裝飾工程有限公司」） Greentown Yonglong (former name: Shandong Yonglong Decoration Project Co., Ltd.)	The PRC 20 January 1998	RMB50,000,000	–	–	70%	70%	Design and decoration	Limited liability company
天津綠城全運村建設開發有限公司 Tianjin National Games Village	The PRC 27 November 2014	RMB2,500,000,000	–	–	41%	41%	Real estate development	Limited liability company
杭州綠城朝陽置業有限公司 Hangzhou Greentown Chaoyang Real Estate Co., Ltd. ("Hangzhou Greentown Chaoyang").	The PRC 28 December 2017	RMB100,000,000	–	–	50% (note iii)	100%	Real estate development	Limited liability company
西安新鴻業投資發展有限公司 Xi'an Xinhongye	The PRC 6 June 2003	RMB200,000,000	–	–	80% (note iv)	83%	Real estate development	Limited liability company
濟南東創置業有限公司 Ji'nan Dongchuang	The PRC 26 December 2013	RMB300,000,000	–	–	50% (note vi)	50%	Real estate development	Limited liability company
杭州玫瑰園度假村有限公司 Hangzhou Rose Garden Resort	The PRC 15 August 2006	RMB184,410,000	–	–	– (note v)	100%	Real estate development	Limited liability company
杭州綠城進出口貿易有限公司 Hangzhou Greentown Imports and Exports Trading Co., Ltd.	The PRC 29 April 2008	RMB1,000,000	–	–	– (note v)	100%	Trading	Limited liability company
柳州綠城投資有限公司 Liuzhou Greentown Investment	The PRC 01 April 2014	RMB80,000,000	–	–	– (note v)	60%	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities	Legal form
柳州綠城房地產開發有限公司 Liuzhou Greentown	The PRC 7 May 2014	RMB80,000,000	-	–	- (note v)	60%	Real estate development	Limited liability company
西安國際陸港文遠置業有限公司 Xi'an Wenyuan	The PRC 30 December 2016	RMB400,000,000	-	–	51% (note vii)	–	Real estate development	Limited liability company
杭州碩櫟投資管理有限公司 Hangzhou Shuoli	The PRC 25 January 2013	RMB100,000	-	–	100% (note vii)	–	Investment management	Limited liability company
余姚綠潤投資有限公司 Yuyao Lvrun	The PRC 24 June 2013	RMB53,000,000	-	–	100% (note vii)	7.5%	Investment management	Limited liability company
余姚綠城房地產開發有限公司 Yuyao Greentown	The PRC 25 September 2013	RMB99,000,000	-	–	100% (note vii)	47%	Real estate development	Limited liability company
西安國際陸港文廣置業有限公司 Xi'an Wenguang	The PRC 24 July 2017	RMB102,040,800	-	–	51% (note vii)	–	Real estate development	Limited liability company
杭州西溪山莊房地產開發有限公司 Hangzhou Xixi	The PRC 23 November 2000	RMB80,000,000	-	–	80% (note vii)	50%	Real estate development	Limited liability company
舟山綠城海盛置業發展有限公司 Zhoushan Haisheng	The PRC 25 September 2013	RMB100,000,000	-	–	100% (note vii)	51%	Real estate development	Limited liability company
常熟市綠宸房地產開發有限公司 Changshu Lvchen Real Estate Development Co., Ltd.	The PRC 7 May 2018	RMB1,800,000,000	-	–	70% (note viii)	–	Real estate development	Limited liability company

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place and date of registration	Registered capital	Proportion of ownership interest/ voting rights held by the Company Direct		Indirect		Principal activities	Legal form
			2018	2017	2018	2017		
溫州綠城浙遠房地產開發有限公司 Wenzhou Greentown Zheyuan Real Estate Development Co., Ltd.	The PRC 17 May 2018	RMB100,000,000	-	–	100% (note ix)	–	Real estate development	Limited liability company
杭州綠城亞運村開發有限公司 Hangzhou Greentown Asian Games Village Development Co., Ltd.	The PRC 03 September 2018	RMB3,000,000,000	-	–	80% (note ix)	–	Real estate development	Limited liability company
杭州休博園湖畔綠景休閑開發有限公司 Hangzhou Xiuboyuan Hupan Lvjing Xiuxian Development Co., Ltd.	The PRC 2 April 2008	RMB120,000,000	-	–	- (note x)	50% (note i)	Real estate development	Limited liability company
杭州綠城北盛置業有限公司 Hangzhou Greentown Beisheng Real Estate Co., Ltd.	The PRC 1 December 2009	RMB530,000,000	-	–	- (note x)	100%	Real estate development	Wholly foreign-owned enterprise
慈溪綠城房地產發展有限公司 Cixi Greentown Property Development Co., Ltd.	The PRC 7 July 2011	RMB98,000,000	-	–	- (note x)	100%	Real estate development	Limited liability company
綠城時代城市建設發展有限公司 Greentown Shidai	The PRC 17 September 2012	RMB50,000,000	-	–	- (note x)	100%	Project management	Limited liability company

The above table lists the subsidiaries of the Group 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.

51. Particulars of Principal Subsidiaries of the Company (continued)

(i) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are set out below: (continued)

Notes:

(i) The Group has the right to appoint a majority of directors to the board of directors. Hence the Group has the power over these entities and has the ability to use its power to affect its returns. Therefore, these entities are accounted for as subsidiaries of the Group.

(ii) The entity is a subsidiary of non-wholly owned subsidiaries of the Group.

(iii) The Group disposed of 50% equity interests in Hangzhou Greentown Chaoyang. Because the Group has the right to appoint a majority of directors to the board of directors, and hence the Group has the power over these entities and has the ability to use its power to affect its returns, Hangzhou Greentown Chaoyang is still under the control of the Group after the disposal.

(iv) In April 2018, the Group acquired additional 7% equity interest in Xi'an Xinhongye from its non-controlling shareholder in 2018. In November 2018, the Group partial disposed 10% equity interest in Xi'an Xinhongye to an independent thirty party. Please refer to note 48(iii) for details.

(v) The Group disposed of equity interests in these companies in 2018. Please refer to note 38 for details.

(vi) The Group obtained control over Ji'nan Dongchuang by entering into the acting in concert agreement with another shareholder which held 50% equity interests of Ji'nan Dongchuang so as to continue the expansion of the Group's property development operation. Please refer to note 37 for details.

(vii) These companies became subsidiaries of the Group in 2018 as the Group acquired equity interests in it. Please refer to note 37 for details.

(viii) The company was newly established in 2018 and the Group partial disposed its 30% equity interest to an independent third party in 2018.

(ix) These companies were newly established in 2018.

(x) These companies were liquidated in 2018.

(xi) In August 2018, the Group acquired additional 50% equity interest in Beijing Ya'ao Greentown Real Estate Development Co., Ltd. from its non-controlling shareholders. Please refer to note 48(iii) for details.

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and Principal place of business	Proportion of ownership interest and voting rights held by non-controlling		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018** RMB'000	2017 RMB'000	**2018** RMB'000	2017 RMB'000
Tianjin National Games Village	The PRC	**41%**	41%	**148,784**	106,726	**3,648,228**	3,499,444

51. Particulars of Principal Subsidiaries of the Company (continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information of Tianjin National Games Village is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018 RMB'000	2017 RMB'000
Current assets	**11,155,577**	24,289,929
Non-current assets	**41,313**	2,657
Current liabilities	**3,938,831**	16,062,029
Non-current liabilities	**681,998**	1,905,821
Equity attributable to owners of the Company	**2,927,833**	2,825,292
Non-controlling interests of Tianjin National Games Village	**3,648,228**	3,499,444

	Year ended 31 December 2018 RMB'000	Period from 13 November 2017 (acquisition date) to 31 December 2017 RMB'000
Revenue	**11,542,441**	5,915,523
Expenses	**11,185,343**	5,646,997
Profit and total comprehensive income for the year	**251,325**	180,280
Profit and total comprehensive income attributable to owners of the Company	**102,541**	73,554
Profit and total comprehensive income attributable to the non-controlling interests of Tianjin National Games Village	**148,784**	106,726
Dividends paid to non-controlling interests of Tianjin National Games Village	**–**	–
Net cash inflow from operating activities	**(479,840)**	189,514

52. Reclassification

The group reclassified net foreign exchange gains, net loss on disposal of property, plant and equipment, gain on disposal of associates, gain on fair value of acquisition of associates and a joint venture in stages and gain on acquisition of associates to the line item "other gains and losses" in the consolidated statement of profit or loss and other comprehensive income, the comparative amounts have also been reclassified.

Definition

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

2006 Share Option Scheme	The share option scheme adopted by a resolution of the shareholders of the Company on 22 June 2006
Board	The Board of Directors of the Company
CCCC	China Communications Construction Company Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
CCCG	China Communications Construction Group (Limited) (中國交通建設集團有限公司), a wholly state – owned company established in the PRC and a substantial Shareholder of the Company
Company/Greentown/ Greentown China	Greentown China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
Directors	The directors of the Company
GFA	Gross floor area
Greentown Group	Greentown China Holdings Limited and its subsidiaries together with its joint ventures and associates
Greentown Real Estate	Greentown Real Estate Group Co., Ltd.* (綠城房地產集團有限公司), a company established in the PRC and a wholly owned subsidiary of the Company
Greentown Project Management	Greentown Real Estate Project Management Group Co., Ltd.* (綠城房地產建設管理集團有限公司), a company established in the PRC and a wholly owned subsidiary of the Company
Group	Greentown China Holdings Limited and its subsidiaries
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
PRC/China	The People's Republic of China
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Share Option Scheme	The share option scheme adopted by a resolution of the shareholders of the Company on 17 June 2016

Shares	The shares of the Company
Sqm	Square metres
Stock Exchange/HKEx	The Stock Exchange of Hong Kong Limited
Wharf	The Wharf (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00004)
Year	The year ended 31 December 2018

* *For identification purposes only*

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Design and Production by: iOne Financial Press Limited
Website: www.ione.com.hk