中骏集团

CHINA SCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

2018

ANNUAL REPORT

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CORPORATE PROFILE

China SCE Group Holdings Limited (formerly known as "China SCE Property Holdings Limited") ("China SCE" or the "Company"), together with its subsidiaries (collectively, the "Group"), was established in 1996 and with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in February 2010 (Stock Code: 1966.HK). The Group's major businesses include property development, commercial management, property management and rental apartments business. The Company is headquartered in Shanghai for its business operations, while implementing regional focused development strategy targeting the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area, the West Taiwan Strait Economic Zone and the Central Western Region.

The Group's property projects are distributed in 34 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Chengdu, Suzhou, Hangzhou, Nanjing, Qingdao, Jinan, Xiamen, Nanchang and Kunming, etc. Its products cover a wide range of properties including high-rise residential buildings, low-rise residential buildings, villas, commercial buildings, offices and rental apartments. The Company upholds "We Build to Inspire" (專築您的感動) as its key value proposition, "Creating Smart Living to Help Seize Happiness" (創建智慧生活，讓幸福觸手可及) as its mission. The Company was awarded the "2018 Best 40 China Real Estate Listed Companies with Strongest Comprehensive Strengths", "2018 Best 50 of China Real Estate Developers" (2018中國房地產開發企業50強) and "Fortune China 500" in 2018.

As of 31 December 2018, the Group together with its joint ventures and associates owned a land bank with an aggregate planned gross floor area ("GFA") of approximately 24.06 million square metres ("sq.m."), which is believed to suffice the development by the Group in the next three to four years. In the future, China SCE will continue to deepen the strategic plan of "Regional Focused, Multi-industries Development" (區域聚焦，多業態發展) and secure the regional leading position by implementing more proactive and prudent development strategies. In addition, the Company will strive to become a more competitive property developer in the People's Republic of China ("PRC").

Shanghai • SCE Plaza

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi *(Chairman)*
Mr. Wong Chiu Yeung
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

Mr. Huang Youquan *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Tower
No. 2, Lane 1688, Shenchang Road
Hongqiao Business District, Shanghai
China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2801, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Ping An Bank Co., Ltd.
Industrial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
BOC Hong Kong (Holdings) Limited

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

www.sce-re.com

FINANCIAL HIGHLIGHTS

SUMMARY OF STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		
	2018 RMB'000	2017 RMB'000	Change (%)
Revenue	**17,782,886**	16,105,245	10.4
Gross profit	**6,146,596**	5,485,184	12.1
Profit for the year	**3,676,823**	3,448,551	6.6
Profit attributable to owners of the parent	**3,385,284**	2,840,035	19.2
Core profit attributable to owners of the parent	**2,200,040**	1,903,001	15.6
Dividend per share	**HK21 cents**	HK19 cents	10.5

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	31 December 2018 RMB'000	31 December 2017 RMB'000	Change (%)
Total assets	**101,490,775**	66,175,008	53.4
Cash and bank balances	**19,972,815**	9,642,125	107.1
Total debts	**(33,337,645)**	(21,523,080)	54.9
Total liabilities	**(79,351,368)**	(49,617,138)	59.9
Total equity	**22,139,407**	16,557,870	33.7

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the results of the Group for the year ended 31 December 2018.

Wong Chiu Yeung
Chairman

RESULTS AND DIVIDENDS

For the year ended 31 December 2018, the Group recorded a revenue of approximately RMB17.783 billion, representing an increase of approximately 10.4% over last year. Profit attributable to owners of the parent amounted to approximately RMB3.385 billion, representing a growth of approximately 19.2% as compared with last year. Earnings per share was approximately RMB87.8 cents, representing an increase of approximately 9.9% over last year. In 2018, the gross profit margin of the Group was approximately 34.6%, staying at a high level in the industry.

In appreciation of the tremendous support of our shareholders, the Board resolved to declare the payment of a final dividend of HK14 cents per ordinary share for the year ended 31 December 2018 to shareholders, totaling approximately HK$578 million, subject to the approval by shareholders of the Company in the forthcoming annual general meeting of the Company. Together with the paid interim dividend of HK7 cents per ordinary share for the year 2018, the full-year dividend payout ratio amounted to 33.3% of the core profit attributable to owners of the parent.

CONTRACTED SALES

In 2018, the central government upheld the control principle of "no speculation of residential properties" and conducted "Policy by City" according to the characteristics of each city's own market. Apart from the policies such as "restrictions on property purchase, mortgage, sale and price", some popular cities introduced more stringent control tools, such as lottery, a halt to purchase of properties by enterprises, strict control on the grant of pre-sale permits, in order to focus on combating speculative demand. In 2018, even under the influence of macroeconomic control, second- or third-tier cities' demand for commodity housing was still strong, leading to a record high sales area and sales amount of commodity housing.

In 2018, contracted sales amounts of the Group together with its joint ventures and associates exceeded RMB50.0 billion and reached another record-high. The contracted sales amount was approximately RMB51.358 billion and the contracted sales area was approximately 4.15 million sq.m. for the year, representing an increase of approximately 54.5% and 116.7% as compared with that of last year, respectively.

During the year, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 31 cities, among which 57 projects were newly launched during the year. As a result of the launch of a number of policies to curb the increase on residential property prices in first-tier cities, the Group slowed down the pace of property launch in first-tier cities and proactively conducted new property launch in second-tier cities and strong third-tier cities, such as Nanjing, Tianjin, Chongqing, Jinan, Quanzhou, Zhangzhou and Xuzhou. The contracted sales amounts of these seven cities accounted for approximately 59.8% of the contracted sales amounts of the Group together with its joint ventures and associates.

LAND BANK STRATEGY

Under the background of central government regulation, the Group adhered to the principle of prudent land expansion and focused on the second-tier cities and strong third-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area, the West Taiwan Strait Economic Zone and Central Western Region. During the year, the Group actively cooperated with other real estate developers to achieve synergy effects and diversify investment risks, so as to increase land reserves at a more reasonable cost. Since the third quarter of 2018, the real estate market has started to pull back, unsuccessful land bids occurred in the market. In response to the cold winter of the land market, the Group has also reduced land purchases to reserve funds since the second half of the year, in the hope of having more resources at the best timing to acquire quality land at a lower price.

In 2018, through bidding and acquisition, the Group together with its joint ventures and associates acquired 47 projects in first-tier, second-tier cities as well as strong third- and fourth-tier cities, including Beijing, Shanghai, Tianjin, Chongqing, Chengdu, Suzhou, Hangzhou, Nanjing, Wuxi, Ningbo, Xiamen, Nanchang and Kunming, etc. 10 of which were newly-entered cities, including Chengdu, Wuxi, Ningbo, Yangzhou, Kunming, Jiaxing, Luoyang, Shangrao, Lianyungang and Jiujiang. The total above-ground GFA amounted to approximately 9.00 million sq.m., land costs amounted to approximately RMB38.923 billion (the attributable land cost was approximately RMB17.295 billion) and the average land cost was approximately RMB4,327 per sq.m. Among them, the above-ground GFA of approximately 3.47 million sq.m. secured through acquisitions have huge potential for profit growth. As at 31 December 2018, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 24.06 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 13.15 million sq.m.), which was sufficient to support the Group's development in the next three to four years.

FINANCIAL STRATEGY

The Group flexibly adopted various financing channels and continuously optimised its debt structure which has resulted in improvement of financial position.

2018 was a year of tight funding for the real estate industry. In order to prevent financial system risks and real estate bubbles, the State further tightened the policies for granting loans to the real estate sector. Overseas financing was also affected by the tight domestic financing situation. Both interest rates on syndicated loans and senior notes rose sharply. The Group identified the difficulties in financing of real estate developers and took advantage of the overseas financing platform to conduct overseas financing in advance. In March 2018, the Company obtained a two-tranche term loan facility with principals of HK$3,172,100,000 and US$9,000,000. The loan period is three years and six months, and the annual interest rate is the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate plus 3.3%. In April 2018, the Company issued the three-year senior notes of US$600 million at a coupon rate of 7.45% due in 2021. These funds provide sufficient liquidity for the future development of the Group.

In addition, a more-than-expected response was received on the renewals of the 3+2-year domestic corporate bonds of RMB3.5 billion issued by the Group in the PRC. Only RMB55,742,000 of the bonds were sold back to the Company. The corporate bonds will be due in 2020.

Though the domestic and overseas financing cost increased significantly over the prior year, the weighted average financing cost of the Group still slightly decreased to 6.4%, compared to 6.5% in 2017.

OUTLOOK

Since the third quarter of 2018, real estate sales have continued to slow down. The wait-and-see sentiment continued to heat up, especially in third- and fourth-tier cities. In the face of the uncertainties in the Chinese economy and friction in trade between China and the United States of America, the Group believes that the Chinese monetary policy hopefully will be relatively loose in 2019 to ensure liquidity in the market and ease financial strain in the real estate sector. Under the orderly control of the central and local governments, the "Policy by City" real estate control policies will likely to be partially loosened in 2019.

In 2019, we expect the overall policy of first-tier cities to remain stricter. The "restrictions on property price" policies will not be loosened easily, but the transaction volume is likely to bottom out and head back upwards. The control policies in second-tier cities are more likely to be loosened. The "Policy by City" policies will lead to a slight increase in the transaction volume and prices in certain second-tier cities. The over-priced property prices in third- or fourth-tier cities may decline. Based on the above expectations, the Group's land acquisition strategy will continue to focus on first-tier, second-tier cities and strong third-tier cities in the current five key areas. We hope to capture the best timing in acquiring land at a lower price and actively supplement the land bank in preparation for its saleable resources in future.

In the long run, we remain optimistic about the prospects of real estate in China. In view of the urbanisation development and metropolitan, we believe that, apart from first-tier cities, continuous emigration toward core second-tier cities and surrounding strong third-tier cities will occur.

For the sake of better future, the Group expands its business into the "Fun+ Happy Life" Ecosystem (「FUN+幸福生活」生態圈) based on the study on consumption upgrades and customers' lifestyle. The Group will develop new business segments such as Funlive apartment, Funwork co-working space, fitness, health and education etc., the Group is dedicated to lead the trend of future smart living, so as to bring a better working and living experience to its customers. The Group's first Funlive high-end project, Shanghai Funlive SCE Plaza International Apartment was officially opened in December this year. The Group will focus on four first-tier cities, Beijing, Shanghai, Guangzhou and Shenzhen as well as second-tier cities, Hangzhou, Nanjing, etc. It plans to lay out 50,000 to 100,000 long-term rental apartments in the core first- and second-tier cities in three to five years, to become an excellent operator in the field of quality apartments in China.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express our sincere appreciation to all staff of the Company, our shareholders, clients and business partners!

Wong Chiu Yeung
Chairman

Hong Kong, China
20 March 2019


FUN WORK
Meet Up Nature
FUN LIVE
方隅
UNWORK

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the overall economic environment in the PRC was full of challenges. External challenges and variables increased significantly, impact of domestic structural adjustment remained and downward pressure on economic operations increased. The real estate control policies had become normalised with unsuccessful land bids occurring and tight corporate funding. However, in this environment, the sales, start-up and land purchases of the real estate industry still increased. The property prices in first-tier and certain popular second-tier cities remained stable with sales rate declined. Demand in third- and fourth-tier cities remained strong, leading to certain increases in property prices and transaction volume in those third- and fourth-tier cities.

Throughout 2018, the transaction volume and average selling price of commodity housing in the PRC took a moderate upward trend. According to the "National Real Estate Development and Sales in January to December 2018" (《2018年1-12月全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics of the PRC, the sales area of national commodity housing amounted to approximately 1.72 billion sq.m. in 2018, representing an increase of 1.3% as compared with that of last year, of which the sales area of residential housing increased by 2.2% year-on-year. The sales amount of national commodity housing amounted to approximately RMB14,997.3 billion, representing a year-on-year increase of 12.2%, of which the sales amount of residential housing increased by 14.7% as compared with that of last year.

BUSINESS REVIEW

Contracted Sales

In 2018, the Group together with its joint ventures and associates outperformed its annual sales target of RMB50.0 billion and achieved a record-high contracted sales amount reaching approximately RMB51.358 billion (including the contracted sales amount of approximately RMB23.121 billion from the joint ventures and associates) and contracted sales area of approximately 4.15 million sq.m. (including the contracted sales area of approximately 1.71 million sq.m. from the joint ventures and associates) for the year, representing an increase of approximately 54.5% and 116.7% as compared with that of last year, respectively.

Jinan • Parkview Bay

In 2018, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 31 cities, mainly in second-tier and strong third-tier cities. Among which 57 projects were newly launched in the year and 28 new projects were launched by the Group, details of which are listed as follows:

City	Project Name
Shanghai	The Glamour
Shenzhen	Cloudview Palace
Chongqing	The Royal Bay
Chongqing	Cloudview Terrace
Chongqing	Imperial Terrace
Suzhou	Cloudview Terrace
Hangzhou	Parkview Bay
Nanjing	6 Park Square Phase 2
Jinan	Uptown
Xuzhou	Golden Riviera
Xuzhou	Garden Terrace
Quanzhou	Imperial Terrace
Quanzhou	Imperial Manor Phase 1
Quanzhou	Imperial Manor Phase 2
Quanzhou	Cloudview Palace
Quanzhou	Marina Bay
Quanzhou	Sunshine Park
Quanzhou	Parkview Palace
Quanzhou	Enjoy City
Zhangzhou	Sunshine City
Zhangzhou	Cloudview Terrace
Huizhou	Royal Terrace
Huizhou	The Royal Bay
Luoyang	The Royal Bay
Shangrao	Royal Palace
Jiujiang	The Royal Bay
Tangshan	Sunshine City
Dezhou	The Royal Bay

The contracted sales realised by the Group together with its joint ventures and associates during the year are set out below:

By City

City	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Beijing	125,021	3,685	7.2
Shanghai	79,964	3,494	6.8
Chongqing	512,038	4,761	9.3
Tianjin	278,257	4,507	8.8
Nanjing	192,208	5,303	10.3
Jinan	162,741	2,260	4.4
Nanchang	213,636	2,094	4.1
Xuzhou	225,953	2,241	4.4
Quanzhou	987,441	8,680	16.9
Zhangzhou	270,528	2,914	5.7
Others	1,101,068	11,419	22.1
Total	4,148,855	51,358	100.0

From the perspective of distribution among cities, contracted sales in Nanjing, Chongqing and Tianjin have been the most remarkable among the second-tier cities, amounting to approximately RMB5.303 billion, RMB4.761 billion and RMB4.507 billion respectively. Sales of properties has recorded excellent sales result in all projects launched. In addition, contracted sales in Quanzhou have been the most remarkable among the third-tier cities, with contracted sales amounting to approximately RMB8.680 billion, accounting for approximately 16.9% of the overall contracted sales amount.

By Region

Region	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Yangtze River Delta Economic Zone	892,767	16,157	31.5
West Taiwan Strait Economic Zone	1,491,372	13,824	26.9
Bohai Rim Economic Zone	848,226	12,439	24.2
Central Western Region	721,341	5,868	11.5
Guangdong — Hong Kong — Macao Greater Bay Area	195,149	3,070	5.9
Total	4,148,855	51,358	100.0

From the perspective of regions, the Group launched new projects in the Yangtze River Delta Economic Zone, West Taiwan Strait Economic Zone and Bohai Rim Economic Zone. The proportion of contracted sales amount of the Group together with its joint ventures and associates in these regions became the highest, amounting to approximately 31.5%, 26.9% and 24.2% respectively. The Yangtze River Delta Economic Zone achieved the highest amount of increase of 87.2% as compared with that of last year, reaching RMB16.157 billion.

Beijing • Polaris Palace

By City Tier

City Tier	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
First-tier cities	221,027	7,717	15.0
Second-tier cities	1,663,330	22,249	43.3
Third- and fourth-tier cities	2,264,498	21,392	41.7
Total	4,148,855	51,358	100.0

From the perspective of city tier, the contracted sales amounts of the Group together with its joint ventures and associates in the second-tier and third- and fourth-tier cities have been rising as compared to the corresponding period of last year and accounted for 43.3% and 41.7% respectively, by which, significant achievement due to the Group's strategy of speeding up the launch of new projects in the second-tier and strong third-tier cities in 2018 has been demonstrated.

Shanghai • Sky Horizon

Recognised Property Sales Income

In 2018, the Group achieved recognised property sales income of approximately RMB17.225 billion and area of properties delivered of approximately 1.07 million sq.m., representing a year-on-year increase of approximately 10.6% and decrease of approximately 15.1% respectively. The average selling price of properties was approximately RMB16,143 per sq.m., representing a year-on-year increase of approximately 30.2%. Details of the Group's recognised property sales income are as follows:

By City

City	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Beijing	93,793	4,236	24.6
Shanghai	69,798	3,740	21.7
Tianjin	98,299	1,520	8.8
Hangzhou	147,890	1,432	8.3
Nanjing	90,573	1,094	6.4
Nanchang	155,221	1,760	10.2
Quanzhou	242,160	2,136	12.4
Others	169,279	1,307	7.6
Total	1,067,013	17,225	100.0

Quanzhou • Gold Coast

By Region

Region	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Yangtze River Delta Economic Zone	308,261	6,267	36.4
West Taiwan Strait Economic Zone	462,364	4,452	25.9
Bohai Rim Economic Zone	218,266	6,011	34.9
Central Western Region	72,580	299	1.7
Guangdong — Hong Kong — Macao Greater Bay Area	5,542	196	1.1
Total	1,067,013	17,225	100.0

Nanchang • Uptown

By City Tier

City Tier	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
First-tier cities	169,133	8,172	47.4
Second-tier cities	491,982	5,807	33.7
Third- and fourth-tier cities	405,898	3,246	18.9
Total	1,067,013	17,225	100.0

Jinan • Parkview Bay

Jinan • Parkview Bay

Land Bank

As at 31 December 2018, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 24.06 million sq.m., of which the aggregate planned GFA attributable to the Group was approximately 13.15 million sq.m. and distributed in 34 cities. In 2018, the Group together with its joint ventures and associates acquired 47 projects in total, with an aggregate above-ground GFA of approximately 9.00 million sq.m., at an aggregate land costs of approximately RMB38.923 billion (the attributable land cost was approximately RMB17.295 billion). The average land cost was approximately RMB4,327 per sq.m. The new land acquisitions in 2018 were as follows:

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Beijing	Royal River Villa	Residential	58,878	3,365	57,152	20
Tianjin	Peaceful Residence	Residential	43,520	263	6,036	13
Tianjin	Wonderland Mile	Residential	75,237	765	10,168	31
Tangshan	Sunshine City	Residential and commercial	167,146	219	1,314	90
Linfen	SCE International Community Phase 5	Residential	8,666	10	1,145	70
Yangtze River Delta Economic Zone						
Shanghai	Gala Fun	Commercial	98,266	1,031	10,488	100
Hangzhou	Majestic Mansion	Residential	155,080	1,135	7,319	25
Suzhou	Cloudview Terrace	Residential	106,563	704	6,610	95
Suzhou	Seal of Highness	Residential and commercial	206,131	1,233	5,981	51
Nanjing	Cloudview Pavilion	Residential and commercial	218,215	1,390	6,370	49
Nanjing	Nanjing Project	Residential and commercial	41,339	350	8,467	50
Ningbo	Parkview Palace	Residential	107,433	1,375	12,800	51
Wuxi	The Royal Bay	Residential and commercial	226,278	1,053	4,654	39
Wuxi	Luxury House	Residential	216,438	1,730	7,993	32
Xuzhou	Parkview Palace	Residential and commercial	58,620	238	4,060	29
Jiaxing	Dream City	Residential and commercial	120,102	850	7,080	8
Jiaxing	Star City (Tingqiao Village)	Residential and commercial	89,089	631	7,080	12
Jiaxing	Metropolis	Residential and commercial	144,153	1,021	7,080	48
Jiaxing	Star City (Jingyi Road West)	Residential and commercial	107,693	762	7,080	28
Yangzhou	Light of the Future	Residential	84,847	176	2,079	16
Lianyungang	The Royal Bay	Residential and commercial	58,626	52	886	60

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
West Taiwan Strait Economic Zone						
Xiamen	Central Park	Residential and commercial	116,000	2,910	25,086	24
Xiamen	Polaris Palace	Residential and commercial	102,000	3,805	37,304	100
Nanchang	Imperial Manor	Residential	80,491	376	4,670	21
Quanzhou	Sunshine Park	Residential and commercial	55,570	99	1,773	50
Quanzhou	Cloudview Palace	Residential	97,615	44	453	41
Quanzhou	Champagne Cloudcity	Residential and commercial	142,504	145	1,018	20
Quanzhou	Parkview Palace	Residential	247,924	163	659	80
Quanzhou	Century Mansion	Residential and commercial	59,610	136	2,281	40
Jiujiang	The Royal Bay	Residential and commercial	95,049	223	2,346	41
Zhangzhou	Cloudview Terrace	Residential	146,481	267	1,823	75
Zhangzhou	Cloudview Center	Residential and commercial	178,137	642	3,604	50
Shangrao	Royal Palace (Dongtou)	Residential and commercial	221,144	302	1,368	27
Shangrao	Royal Palace	Residential and commercial	104,520	290	2,770	90

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
Central Western Region						
Chongqing	Meridian Avenue	Residential and commercial	189,628	702	3,701	32
Chongqing	Nebula Mansion	Residential	143,858	792	5,504	18
Chongqing	Campus Park	Residential and commercial	558,947	2,037	3,645	17
Chongqing	Cloud View	Residential and commercial	359,161	1,820	5,067	50
Chongqing	Imperial Terrace	Residential and commercial	389,274	671	1,725	47
Chongqing	Chongqing Project (Dadukou)	Residential and commercial	339,970	1,487	4,373	32
Chongqing	Mountain Mansions	Residential and commercial	279,497	1,118	4,000	32
Chongqing	Chongqing Project	Residential and commercial	123,542	568	4,599	50
Chengdu	Chengdu Project	Residential	117,442	734	6,250	33
Kunming	Cloud Valley	Residential and commercial	1,847,314	884	478	70
Luoyang	The Royal Bay	Residential	308,364	70	226	80
Shangqiu	Parkview Palace	Residential	63,088	57	900	85
Shangqiu	Cloudview Terrace	Residential and commercial	236,249	228	964	85
			8,995,699	38,923	4,327	

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives from sales of properties, rental income, property management fees, land development income and project management income.

The annual revenue increased by approximately 10.4% from approximately RMB16,105,245,000 in 2017 to approximately RMB17,782,886,000 in 2018, which was attributable to the increase in property sales income.

- **Sales of properties**

  Income from property sales increased by approximately 10.6% from approximately RMB15,573,839,000 in 2017 to approximately RMB17,224,700,000 in 2018. Delivered area decreased by approximately 15.1% from 1,256,275 sq.m. in 2017 to 1,067,013 sq.m. in 2018. The average unit selling price increased from approximately RMB12,397 per sq.m. in 2017 to approximately RMB16,143 per sq.m. in 2018.

- **Rental income**

  Rental income increased by approximately 6.0% from approximately RMB123,499,000 in 2017 to approximately RMB130,962,000 in 2018.

- **Property management fees**

  Property management fees increased significantly by approximately 24.6% from approximately RMB270,295,000 in 2017 to approximately RMB336,678,000 in 2018, which was mainly attributable to the increase in number and floor area of properties under management.

- **Land development income**

  Land development income amounted to RMB85,691,000 in 2017, which was attributable to pre-construction and preparation work provided for certain land parcels in Quanzhou.

- **Project management income**

  The project management income increased significantly by approximately 74.4% from approximately RMB51,921,000 in 2017 to approximately RMB90,546,000 in 2018, which was attributable to the project management service and other property related service income provided to joint ventures.

Gross Profit

Gross profit increased by approximately 12.1% from approximately RMB5,485,184,000 in 2017 to approximately RMB6,146,596,000 in 2018. Gross profit margin increased from approximately 34.1% in 2017 to approximately 34.6% in 2018.

Other Income and Gains

Other income and gains increased significantly by approximately 214.8% from approximately RMB122,812,000 in 2017 to approximately RMB386,637,000 in 2018. The significant increase in other income and gains was mainly attributable to fair value gain of derivative financial instruments — transactions not qualifying as hedges of approximately RMB166,338,000, while there was no such income in 2017.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased by approximately 14.3% from approximately RMB1,262,744,000 in 2017 to approximately RMB1,082,540,000 in 2018. The fair value gains of investment properties during the year were mainly attributable to the value appreciation of office buildings of SCE Plaza in Shanghai and shopping mall of World City in Nan'an.

Selling and Marketing Expenses

Selling and marketing expenses decreased by approximately 24.9% from approximately RMB530,538,000 in 2017 to approximately RMB398,421,000 in 2018. The decrease in selling and marketing expenses was mainly attributable to the capitalisation of sales commission resulting from the implementation of HKFRS 15.

Administrative Expenses

Administrative expenses increased significantly by approximately 34.8% from approximately RMB963,431,000 in 2017 to approximately RMB1,298,702,000 in 2018. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs to cope with the needs of business expansion to several new cities.

Finance Costs

Finance costs increased by approximately 2.5% from approximately RMB392,048,000 in 2017 to approximately RMB401,686,000 in 2018. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased significantly by approximately 36.1% from approximately RMB1,569,182,000 in 2017 to approximately RMB2,135,634,000 in 2018.

Share of Profits and Losses of Joint Ventures

Share of profits of joint ventures decreased significantly by approximately 37.0% from approximately RMB814,542,000 in 2017 to approximately RMB513,275,000 in 2018. The profits for the year were mainly attributed by the fair value gains of investment properties of joint ventures.

Income Tax Expense

Income tax expense increased by approximately 18.1% from approximately RMB2,012,091,000 in 2017 to approximately RMB2,375,633,000 in 2018. The increase in income tax expense was mainly due to more provision for land appreciation tax made as a result of relative high appreciation rate of certain projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by approximately 19.2% from approximately RMB2,840,035,000 in 2017 to approximately RMB3,385,284,000 in 2018. Basic earnings per share amounted to approximately RMB87.8 cents in 2018. Core profit attributable to owners of the parent increased by approximately 15.6% from approximately RMB1,903,001,000 in 2017 to approximately RMB2,200,040,000 in 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2018, the Group's cash and bank balances were denominated in different currencies as set out below:

	2018 RMB'000	2017 RMB'000
Renminbi	16,880,927	8,447,052
Hong Kong dollars	1,902,693	815,394
US dollars	1,189,195	379,679
Total cash and bank balances	19,972,815	9,642,125

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 31 December 2018, the amounts of restricted cash and pledged deposits were approximately RMB4,409,592,000 (31 December 2017: approximately RMB1,471,342,000) and approximately RMB47,909,000 (31 December 2017: approximately RMB25,300,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 31 December 2018 is as follows:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings:		
Within one year or on demand	10,537,381	4,481,209
In the second year	2,977,463	6,514,771
In the third to fifth years, inclusive	6,358,405	1,556,755
Beyond fifth year	258,752	78,720
	20,132,001	12,631,455
Senior notes and domestic bonds:		
Within one year or on demand	–	3,477,192
In the second year	5,791,736	–
In the third to fifth years, inclusive	7,413,908	5,414,433
	13,205,644	8,891,625
Total borrowings	33,337,645	21,523,080

The borrowings were denominated in different currencies as set out below:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings:		
Renminbi	15,060,183	10,104,260
Hong Kong dollars	2,737,042	–
US dollars	2,334,776	2,527,195
	20,132,001	12,631,455
Senior notes and domestic bonds:		
Renminbi	3,428,726	3,477,192
US dollars	9,776,918	5,414,433
	13,205,644	8,891,625
Total borrowings	33,337,645	21,523,080

As at 31 December 2018, approximately RMB15,060,183,000 (31 December 2017: approximately RMB10,104,260,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of approximately RMB36,950,279,000 (31 December 2017: approximately RMB19,497,384,000), and capital stocks of certain subsidiaries. The senior notes of US$350 million at a coupon rate of 10.0% due 2020 issued in July 2015 (the "2015 Senior Notes"), the senior notes of US$500 million at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "2017 Senior Notes"), the senior notes of US$600 million at a coupon rate of 7.45% due 2021 issued in April 2018 (the "2018 Senior Notes") and approximately RMB4,833,471,000 (31 December 2017: approximately RMB2,301,298,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 31 December 2018, except for certain bank and other borrowings of approximately RMB5,915,320,000 (31 December 2017: approximately RMB5,195,760,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the domestic corporate bonds of RMB1,974,058,000 at an adjusted coupon rate of 7.6% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1,470,200,000 at an adjusted coupon rate of 7.6% due 2020 issued in December 2015 bear interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2018, the net gearing ratio was approximately 60.4% (31 December 2017: 71.8%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2018, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings, derivative financial instruments, the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

The Group had entered into certain capped forward cross currency swap contracts to mitigate the currency risk exposure of foreign currency denominated indebtedness. As at 31 December 2018, the Group had entered into capped forward cross currency swap contracts with an aggregate contract amount of US$300 million. Save as disclosed above, no other foreign currency hedging arrangement was made as at 31 December 2018. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

FINANCIAL GUARANTEES

As at 31 December 2018, the Group provided financial guarantees to the banks in respect of the following items:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**15,912,024**	14,947,867

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	**1,097,021**	793,633

As at 31 December 2018, the Group provided guarantees to banks in connection with loan amount of RMB2,414,790,000 (31 December 2017: RMB1,934,000,000), granted to joint ventures.

COMMITMENTS

As at 31 December 2018, the capital commitments of the Group are as follows:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	**15,245,582**	9,686,960

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures' properties under development and construction of investment properties in Mainland China	**2,803,668**	185,843

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 6,470 employees (31 December 2017: 4,657 employees). During the year, the total cost of employees was approximately RMB1,057,833,000 (2017: approximately RMB612,570,000). The Group provides employees with competitive remuneration and benefits and has adopted share option schemes to provide incentives and rewards to, among others, the employees (please refer to the section headed "Report of the Directors — Share Option Scheme" of this annual report for further details of the share option schemes). The remuneration policy is reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance its employees' skills and capabilities in all aspects. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

Zhangzhou • Sunshine City

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of persons for the year ended 31 December 2018 are set out below:

Remuneration Bands	Number of Persons
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	3
HK$3,500,001 to HK$4,000,000	0
HK$4,000,001 to HK$4,500,000	2
HK$4,500,001 to HK$5,000,000	2

Further details of Directors' remuneration and the five highest paid employees are set out in notes 9 and 10 to the financial statements, respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

China SCE actively fulfils its social responsibilities of protecting the environment and plays an exemplary role by undertaking the mission of promoting social environmental protection activities. China SCE gives due consideration to environmental philosophy in various aspects of its business, including construction works, fitting-out works, landscaping and property management, and incorporates environmentally friendly practices into its daily course of business to save energy and reduce emissions, performing its commitments and obligations of protecting the environment in all aspects and contributing to creating a green and harmonious society. Such environmental initiatives include but are not limited to dust control, noise control, water and energy conservation and handling construction waste properly as well as using environmental materials.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries incorporated or established in the British Virgin Islands, Hong Kong and the PRC and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of the Hong Kong Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, British Virgin Islands, the PRC and Hong Kong. The Group will seek professional legal opinions from its Legal Department and legal advisors when necessary to ensure that the Group's transactions and business are in conformity with all applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

China SCE always adheres to the principle that "People Are The Most Important Resources" and the policy of "Human-Based Management". China SCE recognises value of its employees, and pays much attention to their development, bringing their potentials into play and encouraging them to learn and grow, with a view to stimulating employees' personal growth through corporate development and promoting corporate progress through employee development, thus achieving win-win situation for the Group and its employees.

The Group maintains a solid relationship with its existing and prospective customers, which plays a vital role in the development and success of the Group. The Group's "SCE Club" ("中駿會") is established for such purpose. By persisting on the idea and objective of "Leading a Life Full of Love and Thoughtful Services (愛心生活，用心服務)", as well as serving the customers, SCE Club is committed to reinforcing communications and contacts between China SCE and its customers. As the Group instantly and attentively heeds its customers' advice and recommendations for China SCE, it has a solid foundation for introducing more premium properties that satisfy the community demand. In addition, China SCE builds customer trust and realises its branding strategy by providing excellent aftersales services, as well as committing to customised aftersales services of high standards.

The Group also establishes long-term collaboration with international prominent designers in architecture and landscape and famous construction contractors, while maximising its efforts to ensure its adherence to the objective of providing customers with premium properties. The Group selects qualified construction contractors through tender process in accordance with applicable laws and regulations, and conducts thorough due diligence review over such contractors. Successful tenderers are selected based on a variety of factors, including costs, construction completion schedule, quality performance of construction projects, construction planning, manpower distribution, safety measures and standards, equipment and facilities and the industrial experience of project managers.

Shanghai • SCE Plaza

MAJOR PROPERTIES PROFILE

Bohai Rim Economic Zone

Jinan:
Parkview Bay
Uptown
Royal Palace

Anshan:
Royal Spring City

Dezhou:
The Royal Bay

Qingdao:
Qingdao Project

Linfen:
SCE International Community (Except Phases 1-3)

Tangshan:
Sunshine City

Beijing:
World City
Sunshine Mansion
Royal Terrace
The Paramount
Jade Square
Royal River Villa

Tianjin:
Garden Terrace
Marina Bay
City Twilight
Royal Palace
Parkview Manor
Jasper Sky
Peaceful Residence
Wonderland Mile

Yangtze River Delta Economic Zone

Hangzhou:
Hangzhou Project
Parkview Bay
Majestic Mansion

Wuxi:
The Royal Bay
Luxury House

Zhenjiang:
Sunshine City

Xuzhou:
Parkview Bay
Golden Riviera
Garden Terrace
Parkview Palace
Cloudview Pavilion

Nantong:
Metropolis

Ningbo:
Parkview Palace

Lianyungang:
The Royal Bay

Jiaxing:
Dream City
Star City (Tingqiao Village)
Metropolis
Star City (Jingyi Road West)

Yangzhou:
Light of the Future

Nanjing:
6 Park Square
Nanjing Project
Back Bay
Times Mansion
Metro Hub
Royal Terrace
Cloudview Pavilion

Suzhou:
Suzhou Project
Orient Moon Bay
Cullinan Mansion
Seal of Highness
Cloudview Terrace
Coastal Mansion

Shanghai:
SCE Plaza Phase 2
Skyline Tower
The Royal Bay
The Glamour
The Paramount
Shanghai Project
Gala Fun
Times Square

West Taiwan Strait Economic Zone

Xiamen:
SCE Building Phase 1
SCE Building Phase 2
Polaris Palace
Central Park

Zhangzhou:
Sunshine City (Longhai)
Sunshine City Phase 1
Sunshine City Phase 2
Sunshine City Phase 3
Cloudview Terrace
Sunshine City (Changtai)
Zhangzhou Project
Cloudview Center

Shangrao:
Royal Palace (Dongtou)
Royal Palace

Jiujiang:
The Royal Bay

Nanchang:
Uptown
The Royal Bay
Imperial Manor

Quanzhou:
Sapphire Peninsula
Marina Bay
Cloudview Palace
Enjoy City
Fortune Plaza • World City
Fortune Plaza • Imperial Terrace
Sunshine Park
Gold Coast
Parkview Palace (Shishi)
Garden Terrace
Century Mansion
Champagne Cloudcity
World City (Nan'an)
Sunshine Park (Nan'an)
Imperial Manor
The Paramount
Fortune Plaza • Marina Bay
Parkview Palace
SCE Mall
SCE Mall (Shishi)
SCE Plaza
Central Unique Mansion
Quanzhou Project (Anxi)
The Royal Bay

Guangdong — Hong Kong — Macao Greater Bay Area

Shenzhen:
Cloudview Palace

Foshan:
The Riviera

Huizhou:
Royal Terrace
Uptown
The Royal Bay

Central Western Region

Chengdu:
Chengdu Project

Shangqiu:
Royal Terrace
Parkview Palace
Cloudview Terrace

Kunming:
Cloud Valley

Luoyang:
The Royal Bay

Chongqing:
Cloudview Terrace
Imperial Terrace
Meridian Avenue
Campus Park
Mountain Mansions
The Royal Bay
Chongqing Project (Dadukou)
Nebula Mansion
Cloud View
Chongqing Project

Project	City	Type of Property	Investment Properties (sq.m.)	Completed Projects Held for Sale (sq.m.)	Project under Development (sq.m.)	Projects Held for Future Development (sq.m.)	Total Planned GFA (sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone								
World City	Beijing	Commercial	30,899	–	–	–	30,899	100
Royal Terrace	Beijing	Commercial	22,640	–	–	–	22,640	100
Sunshine Mansion	Beijing	Residential	–	–	6,525	–	6,525	100
The Paramount	Beijing	Residential and commercial	–	–	259,445	96,845	356,290	100
Garden Terrace	Tianjin	Residential	–	–	286,692	–	286,692	51
Marina Bay	Tianjin	Residential	–	19,077	–	–	19,077	100
Qingdao Project	Qingdao	Residential and commercial	–	–	–	396,800	396,800	96
Uptown	Jinan	Commercial	–	–	67,697	–	67,697	100
Parkview Bay	Jinan	Residential and commercial	–	–	394,363	–	394,363	45
Sunshine City	Tangshan	Residential and commercial	–	–	184,367	–	184,367	90
The Royal Bay	Dezhou	Residential	–	–	186,427	134,322	320,749	40
Royal Spring City	Anshan	Residential, commercial and hotel	–	39,337	–	1,455,141	1,494,478	70
SCE International Community (Except Phases 1–3)	Linfen	Residential and commercial	–	20,837	79,252	71,514	171,603	70
Yangtze River Delta Economic Zone								
SCE Plaza Phase 2	Shanghai	Commercial	155,606	–	–	–	155,606	61
Skyline Tower	Shanghai	Commercial	66,576	–	–	–	66,576	100
The Paramount	Shanghai	Residential, office and commercial	24,627	–	31,763	–	56,390	100
The Glamour	Shanghai	Residential	2,498	–	12,472	–	14,970	100
Shanghai Project	Shanghai	Commercial	27,714	–	–	–	27,714	100
Gala Fun	Shanghai	Commercial	–	–	–	98,266	98,266	100
The Royal Bay	Shanghai	Residential and commercial	–	25,459	–	–	25,459	100
Hangzhou Project	Hangzhou	Commercial	28,598	–	–	–	28,598	100
Parkview Bay	Hangzhou	Residential and commercial	46,380	–	113,993	–	160,373	96
Suzhou Project	Suzhou	Residential and commercial	–	–	–	582,658	582,658	85
Seal of Highness	Suzhou	Residential and commercial	–	–	–	206,131	206,131	51
Orient Moon Bay	Suzhou	Residential	–	–	75,960	–	75,960	50
Cloudview Terrace	Suzhou	Residential	–	–	141,457	–	141,457	95
6 Park Square	Nanjing	Commercial	–	23,649	255,601	–	279,250	64
Nanjing Project	Nanjing	Residential and commercial	–	–	–	41,339	41,339	50
Parkview Palace	Ningbo	Residential	–	–	–	107,433	107,433	51
Parkview Bay	Xuzhou	Residential and commercial	–	–	126,519	203,070	329,589	70
Golden Riviera	Xuzhou	Residential and commercial	–	–	301,256	–	301,256	40
Garden Terrace	Xuzhou	Residential and commercial	–	–	197,363	–	197,363	96
The Royal Bay	Lianyungang	Residential and commercial	–	–	72,250	–	72,250	60
Sunshine City	Zhenjiang	Residential and commercial	–	–	174,395	–	174,395	96
West Taiwan Strait Economic Zone								
The Royal Bay	Nanchang	Residential and commercial	–	–	165,849	–	165,849	90
Uptown	Nanchang	Residential and commercial	–	39,971	–	–	39,971	100
SCE Building Phase 1	Xiamen	Office and commercial	10,098	–	–	–	10,098	100
SCE Building Phase 2	Xiamen	Office and commercial	36,597	–	–	–	36,597	100

Project	City	Type of Property	Investment Properties (sq.m.)	Completed Projects Held for Sale (sq.m.)	Project under Development (sq.m.)	Projects Held for Future Development (sq.m.)	Total Planned GFA (sq.m.)	Percentage of Interest Attributable to the Group (%)
Polaris Palace	Xiamen	Residential and commercial	–	–	–	102,000	102,000	100
Sapphire Peninsula	Quanzhou	Commercial	7,441	–	–	–	7,441	100
World City (Nan'an)	Quanzhou	Commercial	44,777	–	–	–	44,777	80
The Royal Bay	Quanzhou	Residential and commercial	–	–	139,569	–	139,569	80
Marina Bay	Quanzhou	Residential and commercial	–	–	147,192	29,479	176,671	80
Sunshine Park (Nan'an)	Quanzhou	Residential and commercial	–	–	69,687	–	69,687	50
Cloudview Palace	Quanzhou	Residential and commercial	–	–	131,489	–	131,489	41
Imperial Manor	Quanzhou	Residential and commercial	–	–	268,169	–	268,169	40
Enjoy City	Quanzhou	Residential and commercial	–	–	202,995	–	202,995	40
The Paramount	Quanzhou	Residential, office and commercial	42,723	10,611	84,425	–	137,759	100
Fortune Plaza • World City	Quanzhou	Residential and commercial	206,283	–	–	–	206,283	58
Fortune Plaza • Marina Bay	Quanzhou	Residential and commercial	–	10,505	–	–	10,505	58
Fortune Plaza • Imperial Terrace	Quanzhou	Residential, office and commercial	–	–	237,836	–	237,836	58
Parkview Palace	Quanzhou	Residential and commercial	–	–	236,122	–	236,122	70
Sunshine Park	Quanzhou	Residential and commercial	–	13,451	–	–	13,451	51
SCE Mall	Quanzhou	Residential, office and commercial	23,848	36,535	–	–	60,383	100
Gold Coast	Quanzhou	Residential and commercial	17,590	103,929	76,611	465,306	663,436	45
SCE Mall (Shishi)	Quanzhou	Residential, office and commercial	30,214	22,158	–	–	52,372	60
Parkview Palace (Shishi)	Quanzhou	Residential and commercial	–	–	142,313	–	142,313	60
SCE Plaza	Quanzhou	Office and commercial	36,992	–	30,520	–	67,512	100
Garden Terrace	Quanzhou	Residential and commercial	–	10,168	–	–	10,168	70
Sunshine City (Longhai)	Zhangzhou	Residential and commercial	–	–	115,618	–	115,618	90
Sunshine City Phase 1	Zhangzhou	Residential and commercial	–	11,150	–	–	11,150	85
Sunshine City Phase 2	Zhangzhou	Residential and commercial	–	16,441	–	–	16,441	85
Sunshine City Phase 3	Zhangzhou	Residential and commercial	–	16,404	–	–	16,404	75
Cloudview Terrace	Zhangzhou	Residential	–	–	171,377	–	171,377	75
Sunshine City (Changtai)	Zhangzhou	Residential and commercial	–	–	37,700	–	37,700	75
Royal Palace (Dongtou)	Shangrao	Residential and commercial	–	–	–	221,144	221,144	27
Royal Palace	Shangrao	Residential and commercial	–	–	132,359	–	132,359	90
The Royal Bay	Jiujiang	Residential and commercial	–	–	121,854	–	121,854	41
Guangdong — Hong Kong — Macao Greater Bay Area								
Cloudview Palace	Shenzhen	Residential and commercial	–	–	109,815	–	109,815	82
Uptown	Huizhou	Residential and commercial	–	–	–	154,579	154,579	96
The Royal Bay	Huizhou	Residential and commercial	–	–	171,471	36,029	207,500	93
Royal Terrace	Huizhou	Residential and commercial	–	–	121,583	–	121,583	95
Central Western Region								
Cloudview Terrace	Chongqing	Residential and commercial	–	–	241,667	–	241,667	84
The Royal Bay	Chongqing	Residential and commercial	–	–	443,031	–	443,031	74
Imperial Terrace	Chongqing	Residential and commercial	–	–	140,541	248,733	389,274	47
Cloud Valley	Kunming	Residential and commercial	–	–	–	1,847,314	1,847,314	70
The Royal Bay	Luoyang	Residential	–	–	91,389	216,975	308,364	80
Parkview Palace	Shangqiu	Residential	–	–	–	63,088	63,088	85
Royal Terrace	Shangqiu	Residential and commercial	–	–	512,131	–	512,131	40
Cloudview Terrace	Shangqiu	Residential and commercial	–	–	–	236,249	236,249	85

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wong Chiu Yeung (**黃朝陽**), aged 53, is one of the founders of the Group and the chairman of the Board and chief executive officer of the Company. Mr. Wong was appointed as an executive Director on 30 November 2007, as well as the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee") and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Wong is responsible for formulating business development strategies for the Group, commercial property management and financial investment management. Since his involvement in the development of the Group's first project in 1996, Mr. Wong has been involved in all of the projects developed by the Group thereafter, and has about 23 years of experience in real estate development. Mr. Wong is the vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), guest professor of Nanchang University, vice chairman of the board of directors of Quanzhou Normal University, chairman of the board of directors of Nan'an Overseas Chinese Middle School (南安華僑中學), permanent honourable chairman of Hong Kong Federation of Fujian Association (香港福建社團聯會). Mr. Wong holds an Executive Master of Business Administration degree of Xiamen University. Mr. Wong is the father of Mr. Wong Lun, an executive Director of the Company.

Chen Yuanlai (**陳元來**), aged 52, is one of the founders of the Group and the vice chairman of the Board of the Company. Mr. Chen was appointed as an executive Director on 12 August 2009 and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Chen is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996, he has been involved in all of the projects developed by the Group thereafter, and has about 23 years of experience in real estate development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all of the projects developed by the Group. Mr. Chen completed the Executive Management course in Business Administration of Commercial Real Estate Development and Funding, a one-year programme offered by the School of Professional and Continuing Education of The University of Hong Kong and Fudan University, Shanghai, in May 2008. Mr. Chen has completed an Executive Master of Business Administration programme in Xiamen University.

Cheng Hiu Lok (**鄭曉樂**), aged 54, is one of the founders of the Group and the vice chairman of the Board of the Company. Mr. Cheng was appointed as an executive Director on 12 August 2009 and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Cheng is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996, he has been involved in all of the projects developed by the Group thereafter. Mr. Cheng has about 23 years of experience in real estate development. Mr. Cheng also has extensive experience in investment management, project management and construction management through his involvement in the projects developed by the Group. Mr. Cheng completed his college education at Fujian Normal University in 1987.

Huang Youquan (**黃攸權**), aged 50, is an executive Director and an executive president of the Company. Mr. Huang was appointed as an executive Director on 1 May 2011 and was appointed as the chairman of the corporate governance committee (the "Corporate Governance Committee") with effect from 1 January 2017. He is also the director of certain subsidiaries of the Company established in the PRC and Hong Kong. Mr. Huang is responsible for the financial management of the Group. Before joining the Group in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated from the Department of Mathematics of Xiamen University with a Bachelor's degree in Science in 1991. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants. Mr. Huang has completed an Executive Master of Business Administration programme in Xiamen University.

Wong Lun (**黃倫**), aged 31, is an executive Director and an assistant president of the Company. Mr. Wong was appointed as an executive Director of the Company with effect from 1 March 2017. He is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Wong is responsible for investor relations and commercial management of the Group. Mr. Wong joined the Group in September 2010. Mr. Wong graduated from the School of Engineering of University of Warwick with a Bachelor's degree of Science in Engineering and Business Studies in 2010. Mr. Wong is currently attending an Executive Master of Business Administration programme in China Europe International Business School. Mr. Wong Lun is the son of Mr. Wong Chiu Yeung, an executive Director and chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ting Leung Huel Stephen (**丁良輝**), aged 65, MH, FCCA, FCPA (Practising), CTA (HK), ACA, FHKIoD, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also the chairman of the audit committee of the Company (the "Audit Committee"), a member of the Remuneration Committee and Corporate Governance Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is a partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of six other companies listed on the Hong Kong Stock Exchange, namely Tong Ren Tang Technologies Co. Ltd. (1666), Tongda Group Holdings Limited (0698), New Silkroad Culturaltainment Limited (formerly known as JLF Investment Company Limited) (0472), Computer and Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189).

Lu Hong Te (**呂鴻德**), aged 58, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also a member of the Audit Committee, Nomination Committee and Corporate Governance Committee. Mr. Lu obtained a Bachelor's degree in Industrial and Information Management from National Cheng Kung University in 1983, and a Master's degree and a Doctoral degree in Marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Mr. Lu is a professor at the Department of Business Administration of Chung Yuan Christian University in Taiwan, specialising in marketing management and corporate competitive strategies. Mr. Lu is an independent non-executive director of Capxon International Electronic Company Limited (0469), ANTA Sports Products Limited (2020), China Lilang Limited (1234) and Cosmo Lady (China) Holdings Company Limited (2298), the shares of which are listed on the Hong Kong Stock Exchange. Mr. Lu is an independent director of two companies which are listed on the Taipei Exchange, namely Firich Enterprises Co., Ltd. (8076) and Lanner Electronics Inc. (6245), and an independent director of Uni-President Enterprises Corporation (1216), which is listed on the Taiwan Stock Exchange Corporation.

Dai Yiyi (**戴亦一**), aged 51, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Dai is a full-time professor of the Executive Master of Business Administration programme of the School of Management of Xiamen University and the chairman of the Board of the Jin Yuan Research Institute of Xiamen University. Mr. Dai also serves as an adjunct professor for real estate CEO programmes hosted by Tsinghua University and Peking University. Mr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Mr. Dai is the vice dean of the School of Management of Xiamen University between January 2008 and December 2015. Mr. Dai is an independent non-executive director of Cosmo Lady (China) Holdings Company Limited (2298), which is listed on the Hong Kong Stock Exchange and is an independent director of Fujian Septwolves Industry Co., Ltd. (002029) and Xiamen C&D Inc. (600153), which are listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange, respectively. From May 2013 to May 2017, Mr. Dai was an independent director of New Hua Du Supercenter Co., Ltd. (002264), a company which is listed on the Shenzhen Stock Exchange. From October 2009 to September 2018, Mr. Dai was an independent non-executive director of Mingfa Group International Company Limited (0846), which is listed on the Hong Kong Stock Exchange. Mr. Dai graduated from Xiamen University with a Bachelor's degree in Economics in 1989, and received a Doctoral degree in Economics from Xiamen University in 1999. Mr. Dai was awarded a certificate as a PRC Certified Property Valuer in 1997.

SENIOR MANAGEMENT

Zheng Quanlou (**鄭全樓**), aged 47, is an executive president of the Company. He is responsible for operation plan and design management of the Group. Before joining the Group in November 1998, Mr. Zheng was an on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at College of Architecture and Civil Engineering of Fujian (福建省建築高等專科學校) in 1992 and obtained his Bachelor's degree from the Department of Civil Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng has completed an Executive Master of Business Administration programme in Xiamen University.

Wang Meng (**王勐**), aged 32, is an executive president of the Company. He is responsible for land acquisition and marketing management of the Group. Before joining the Group in March 2015, Mr. Wang was the marketing director of Longfor Properties Co. Ltd. Mr. Wang graduated from North China University of Technology with a Bachelor's degree in Arts in 2009. Mr. Wang is currently attending an Executive Master of Business Administration programme in Peking University.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Tang Xiaojuan (**湯筱娟**), aged 46, is an assistant president of the Company. She is responsible for managing daily operation of the office of president and information technology management of the Group. Prior to joining the Group in August 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated from the Department of International Trade and Economics in Jiangxi University of Finance and Economics with a Bachelor's degree in Economics in 1994. Ms. Tang has completed an Executive Master of Business Administration programme in Xiamen University.

Ku Weihong (**庫衛紅**), aged 50, is an assistant president of the Company. She is responsible for legal affairs, administrative and human resources as well as property management of the Group. Prior to joining the Group in November 2010, Ms. Ku served as the chief legal officer of Powerlong Real Estate Holdings Limited. Ms. Ku graduated from the Department of Law of Peking University with a Bachelor's degree in Law in 1990. Ms. Ku holds the lawyer qualification certificate of the PRC and has extensive experience in legal affairs. Ms. Ku has completed an Executive Master of Business Administration programme in Peking University.

Liu Chao (**劉超**), aged 43, is an assistant president of the Company and is responsible for construction and cost management of the Group. Prior to joining the Group in August 2008, Mr. Liu was previously an engineer of China Railway Engineering Corporation. Mr. Liu graduated from the Department of Civil Engineering of Shanghai Railway University in 1996 with a Bachelor's degree in Engineering. Mr. Liu has completed an Executive Master of Business Administration programme in Xiamen University.

Peng Fei (**彭飛**), aged 36, is an assistant president of the Company and is responsible for the management of the Shanghai office of the Group. Prior to joining the Group in October 2007, Mr. Peng served as a sales manager of Xiamen Strategic Property Agency Limited (廈門方略地產營銷代理有限公司). Mr. Peng received a junior college degree in computer science from Anhui Normal University in 2003 and a Bachelor's degree in Business Administration from Beijing Institute of Technology in 2016. Mr. Peng has completed an Executive Master of Business Administration programme in Xiamen University.

Keith Chan (**陳堅**), aged 46, is the vice chairman and chief executive officer of Funlive rental apartments business ("Funlive"). He is responsible for overall strategic direction, business operations and management of Funlive. Prior to joining the Group in April 2018, Mr. Chan was a senior managing director, co-head of China and head of China Real Estate of Macquarie Capital. Mr. Chan has over 20 years of experience in corporate finance, investment banking and principal investments. Mr. Chan graduated from the University of Wisconsin-Madison with a Master degree in Business Administration (Finance and Investment) in 1997. Mr. Chan has also completed a Bachelor of Business Administration degree in Accounting from the same school.

Li Siu Po (**李少波**), aged 50, is the financial controller and company secretary of the Company. He is responsible for the financial reporting, equity and debt financing and company secretarial work of the Group. Before joining the Group in January 2008, Mr. Li was a manager of one of the international CPA firms. Mr. Li graduated from the Department of Accounting in the Hong Kong Polytechnic University with a Bachelor's degree in Accountancy in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has extensive experience in financial management and auditing.

COMPANY SECRETARY

Li Siu Po (**李少波**), a member of senior management of the Group, is the financial controller and company secretary of the Company. The biography of Mr. Li is set forth above.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and its shareholders.

During the year ended 31 December 2018, the Company and the Board had been in compliance with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, save as disclosed in the paragraphs headed "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year under review.

THE BOARD OF DIRECTORS

Board Composition

The members of the Board of the Company during the year ended 31 December 2018 are set out below:

Executive Directors
Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent non-executive Directors
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" in this annual report. Mr. Wong Chiu Yeung is the father of Mr. Wong Lun, both of whom are executive Directors. Save as disclosed above, there is no financial, business, family or other material/relevant relationships between Board members.

Mr. Ting Leung Huel Stephen, one of the independent non-executive Directors, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules which states that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

In accordance with the provision A.1.8 of the CG Code, the Company has arranged appropriate insurance cover for the Directors in respect of any possible legal action against them.

In accordance with Rule 13.92 of the Listing Rules, the Nomination Committee shall have a policy concerning diversity of Board members. In formulating its nomination policy, the Company has created measurable targets in the following areas, including expertise, experience, knowledge, professional skills, education background, independence, age, etc. In doing so, the Company can ensure its Directors reach the eligible level in terms of their expertise, industrial experience, education background, independence, age and other factors, which enable them to make corresponding contributions to the Board whenever necessary and practicable. The Company and the Nomination Committee periodically review the nomination policy and are open to adopt further measurable objectives in the future based on the business needs of the Company and to keep pace with the prevailing regulatory requirements and good corporate governance practice. Please refer to the paragraph headed "Nomination Committee" of this corporate governance report regarding details of the board diversity policy (the "Board Diversity Policy") adopted by the Board and progress on achieving the measurable objectives to implement the Board Diversity Policy.

In accordance with Rule 3.29 of the Listing Rules, for each financial year, the company secretary of an issuer must take no less than fifteen hours of relevant professional training. During the year, the Company confirmed that the company secretary of the Company, Mr. Li Siu Po, had participated in proper training programmes for not less than fifteen hours to ensure his expertise is in line with all the requirements as applicable to him.

In accordance with the provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all the Directors have complied with the requirement of provision A.6.5 of the CG Code through attending trainings and/or reading materials relevant to the Company's business or to director's duties and responsibilities.

Directors' Responsibilities

The Board is responsible to all shareholders for supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policy and monitoring the performance of the senior management, so as to achieve high efficiency in relevant business of the Company. The senior management is responsible for the daily management and specific operation of the Group.

Directors' Attendance Record at Meetings

Pursuant to the provision A.1.1 of the CG Code, the board of issuers should meet regularly and board meetings should be held at least four times a year. For the year ended 31 December 2018, the Company has held six board meetings, and passed eight written resolutions. It is considered that the Directors were well acknowledged to the operation of the Group for the year under review. The attendance of each Director for the board meetings and general meeting of the Company is contained in the following table:

	Number of Attendances/ Number of Board Meetings	Written Resolutions	Number of Attendance/ Total Number of General Meeting
Executive Directors:			
Mr. Wong Chiu Yeung	6/6	8/8	0/3
Mr. Chen Yuanlai	5/5[1]	8/8	0/3
Mr. Cheng Hiu Lok	5/5[1]	8/8	0/3
Mr. Huang Youquan	5/5[1]	8/8	3/3
Mr. Wong Lun	5/5[1]	8/8	3/3
Independent non-executive Directors:			
Mr. Ting Leung Huel Stephen	6/6	8/8	3/3
Mr. Lu Hong Te	6/6	8/8	0/3
Mr. Dai Yiyi	6/6	8/8	0/3

1 Except for chairman of the Company, Mr. Wong Chiu Yeung, all executive Directors absented themselves from the board meeting held on 23 August 2018 in which the composition, duties and responsibilities of the executive Directors were discussed.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year under review, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

COMPLIANCE OF NON-COMPETITION DEED

The Company entered into a non-competition deed (the "Non-competition Deed") with Mr. Wong Chiu Yeung on 6 January 2010 pursuant to which Mr. Wong Chiu Yeung has undertaken to the Company not to compete with any business of the Group and shall use his best endeavors to procure his affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC. Furthermore, Mr. Wong Chiu Yeung has undertaken to the Company (for itself and for the benefit of the Group) that during the term of the Non-competition Deed to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms of the Non-competition Deed.

The Company has received a confirmation from Mr. Wong Chiu Yeung for his compliance with the terms of the Non-competition Deed during the year ended 31 December 2018 and up to the date of this report. All the independent non-executive Directors have reviewed the matters relating to enforcement of the Non-competition Deed and consider that the terms of the Non-competition Deed have been complied with by Mr. Wong Chiu Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received the written confirmation from each of the independent non-executive Directors, confirming that he has met the independence requirements set out in Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent under these independence requirements.

The independent non-executive Directors play an important role in applying their independent analysis and professional judgments to provide a professional and fair view to the decisions of the Board. This is not only beneficial to the warranty of the scientific element of the decision, but also enhancing the protection of interests of the Company and its shareholders.

Please refer to the paragraph headed "Directors' Service Contracts" in the "Report of the Directors" of this annual report for the term of appointment of independent non-executive Directors.

REMUNERATION COMMITTEE

According to the provisions of the CG Code, the Company established its Remuneration Committee on 6 January 2010. Under Rule 3.25 of the Listing Rules, the remuneration committee of issuers must appoint an independent non-executive director as the chairman, and the majority of the members shall be independent non-executive directors. With effect from 1 April 2012, the Remuneration Committee, comprising of Mr. Wong Chiu Yeung (an executive Director) and Mr. Ting Leung Huel Stephen (an independent non-executive Director), is chaired by Mr. Dai Yiyi, an independent non-executive Director.

The prime duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and
- to make recommendations to the Board on the remuneration of non-executive Directors.

During the year under review, the Remuneration Committee held one meeting to discuss the 2017 management bonus and 2018 salary under the service contracts for executive Directors. Details of the attendance by members of the Remuneration Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Dai Yiyi	1/1
Mr. Wong Chiu Yeung	1/1
Mr. Ting Leung Huel Stephen	1/1

NOMINATION COMMITTEE

According to the provisions of the CG Code, the Company established the Nomination Committee on 6 January 2010. Under the provision A.5.1 of the CG Code, the majority of the nomination committee of issuers must be independent non-executive directors, and the chairman of the board or an independent non-executive director must be appointed as the chairman of this committee. With effect from 1 April 2012, the Nomination Committee, comprising independent non-executive Directors Mr. Lu Hong Te and Mr. Dai Yiyi, is chaired by Mr. Wong Chiu Yeung, chairman of the Board.

The prime duties of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become members of the Board based on, amongst others, the Board Diversity Policy and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, succession planning for Directors in particular the chairman and chief executive officer and the policy concerning the diversity of Board members.

During the year under review, the Nomination Committee held one meeting to discuss the composition of the Board and the terms of reference, the diversity policies for the Board, and other issues. Details of the attendance by members of the Nomination Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Wong Chiu Yeung	1/1
Mr. Lu Hong Te	1/1
Mr. Dai Yiyi	1/1

The Company and the Nomination Committee periodically review the nomination policy and monitor the progress on achieving the following measurable objectives (the "Measurable Objectives") which have been set for implementing diversity on the composition of Board. For the year ended 31 December 2018, under the Board Diversity Policy, the Board has adopted and the Company has fully achieved the following Measurable Objectives:

(a) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(b) To ensure at least 35% of the members of the Board have more than 10 years of experience of real estate development;

(c) To ensure the appropriate proportion of the independent non-executive Directors to the executive Directors in order to maintain the independence of the Board. In particular, at least 35% of the members of the Board shall be independent non-executive Directors;

(d) To ensure at least 60% of the members of the Board shall have attained Bachelor's degree or higher level of education; and

(e) To ensure the age distribution of the members of the Board is such that the Board comprised of people from at least three decades.

AUDIT COMMITTEE

According to the provisions of the CG Code, the Company established the Audit Committee on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise of all non-executive directors. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, Mr. Lu Hong Te and Mr. Dai Yiyi as members.

The prime duties of the Audit Committee are:

- responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them; and

- oversight of the Company's financial reporting system, risk management and internal control systems.

During the year under review, the Audit Committee held two meetings to review the 2017 annual report and the 2018 interim report of the Company. Details of the attendance by members of the Audit Committee are set out as below:

	Number of Attendances/ Total Number of Meetings
Mr. Ting Leung Huel Stephen	2/2
Mr. Lu Hong Te	2/2
Mr. Dai Yiyi	2/2

CORPORATE GOVERNANCE COMMITTEE

Pursuant to the provision D.3.1 of the CG Code, the Company established the Corporate Governance Committee on 1 April 2012 to better implement and review the policies and practices on corporate governance. Mr. Huang Youquan, an executive Director, was appointed as chairman of the Corporate Governance Committee and Mr. Ting Leung Huel Stephen and Mr. Lu Hong Te, both independent non-executive Directors, were appointed as members of the Corporate Governance Committee.

The prime duties of the Corporate Governance Committee are:

- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;
- to review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and monitor and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Company;
- to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies, and in particular to monitor the implementation of the Company's plans to maintain high compliance with its own risk management standards;
- to review and monitor the training and continuous professional development of directors and senior management; and
- to review the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual reports.

During the year under review, the Corporate Governance Committee met once to discuss the adoption of the CG Code. Details of the attendance by members of the Corporate Governance Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Huang Youquan	1/1
Mr. Ting Leung Huel Stephen	1/1
Mr. Lu Hong Te	1/1

AUDITORS' REMUNERATION

For the year under review, the fees paid to the auditors of the Company, Ernst & Young, in respect of the audit services and non-audit services provided to the Company amounted to approximately RMB4,250,000 and approximately RMB2,948,000, respectively. Non-audit services mainly consisted of advisory and other reporting services.

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the auditors. The Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the Group for the year ending 31 December 2019, subject to the approval of the shareholders at the annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2018, and confirm that the financial statements give a true view of the financial positions and results of the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 64 to 68 of this annual report.

INTERNAL CONTROLS

The Board is fully responsible for maintaining proper and effective internal controls and for regularly reviewing the operational efficiency of the financial, operational, compliance, risk controls, human resources and other aspects of the system in order to safeguard the independence of the respective duties and powers of the Group which in turn can protect the investment of shareholders and the assets of the Company.

The Internal Audit and Compliance Department of the Company, being the Company's internal audit function, is responsible for regular review and audit of the finance and operation of the Company and its subsidiaries for the purpose of ensuring the internal controls are in place and functioning properly as intended. For weaknesses of internal controls and accounting procedures of the Group which the external auditors have identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

Besides, the Company has also appointed Ernst & Young (China) Advisory Limited to review the internal controls of the selected processes of the selected entities of the Group. The 2018 internal control assessment report revealed that no material control weakness was identified.

During the year under review, the Board has conducted a review of the risk management and internal control systems of the Group and their effectiveness and concluded that the risk management and internal control systems of the Group were adequate and effective during the year.

The Company has the procedures and internal controls for the handling and dissemination of inside information. In practice, employees of the Group who become aware of any events and/or matters which he/she considers potentially inside information, will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and disclosure of which shall be made immediately.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Establishing a good relationship with investors plays a vital role in enhancing the operational efficiency of the Company and in protecting interests of the shareholders. The Company insists a transparent, honest and timely disclosure of related information on the business development of the Company through various channels to ensure that the shareholders and investors have an adequate understanding of the operations of the Company.

The Company's website at http://www.sce-re.com provides information such as e-mail address, correspondence address, telephone numbers, etc. for making inquiries to the Company in order to maintain effective communication with its shareholders and investors. In addition, interim and annual reports, circulars and notices of the Company will be despatched to shareholders in compliance with the Listing Rules and the same will also be published on the website of the Company and that of the Hong Kong Stock Exchange.

During the year, the Company has received numerous visits from investors and arranged investors and analysts to visit the Group's property sites at various locations. The Company has also presented to them the development strategies and business operation status of the Company. The Company also participated in various investor conferences and non-deal roadshows to enhance the industry awareness of the Company. The management believes actively seeking face-to-face communication with shareholders and investors is the best way to enhance their confidence in the Company. Particulars of the investors' meetings during the year are set out in the following table:

Date	Description	Place
9–10 January 2018	DBAccess China Conference	Beijing
16–19 March 2018	Non Deal Roadshow	Hong Kong/Singapore
11–12 April 2018	UBS Property Corporate Day	Hong Kong
16–18 April 2018	Non Deal Roadshow	Beijing/Shanghai
14–16 May 2018	DBAccess Asia Conference	Singapore
11–12 June 2018	Haitong International Property Corporate Day	Hong Kong
13 June 2018	HSBC 2nd Annual Asia Credit Conference	Hong Kong
28–29 June 2018	Citi Asia Pacific Property Conference	Hong Kong
25 July 2018	GF Securities Property Corporate day	Shanghai
24–30 August 2018	Non Deal Roadshow	Hong Kong/Singapore
3–6 September 2018	HSBC Global Emerging Markets Investor Forum	London
27–28 September 2018	Reverse Roadshow	Xiamen/Quanzhou
8–9 October 2018	BofA Merrill Lynch Asian High Yield Credit Conference	Hong Kong
10 October 2018	Non Deal Roadshow	Shanghai
16 October 2018	Non Deal Roadshow	Beijing
6–8 November 2018	HSBC Global Investment Forum	New York/Boston
9 November 2018	Non Deal Roadshow	San Francisco
15–16 November 2018	Citi China Investor Conference	Macau
12–14 December 2018	Haitong China Investor Conference	Shanghai

The Company's annual general meeting of shareholders is a good opportunity for communication between the Board and shareholders of the Company. Notice of annual general meeting and related documents will be sent to the shareholders pursuant to the requirements of the Listing Rules, and will be published on the website of the Hong Kong Stock Exchange and that of the Company.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 58 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@sce-re.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Board fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@sce-re.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@sce-re.com.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the branch share registrar that the request is made by a Shareholder and such request is proper and in order, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an EGM;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an EGM other than by way of a special resolution of the Company.

CHANGES IN COMPANY NAME AND AMENDMENTS AND RESTATEMENT OF CONSTITUTIONAL DOCUMENTS

Pursuant to the special resolutions passed by the shareholders of the Company at the EGM held on 13 July 2018, the English name of the Company has been changed from "China SCE Property Holdings Limited" to "China SCE Group Holdings Limited" and the dual foreign name in Chinese of the Company has been changed from "中駿置業控股有限公司" to "中駿集團控股有限公司", and the Memorandum of Association and the Articles of Association of the Company have been amended and restated to reflect the above change of Company name.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, commercial management, property management and rental apartments business in the PRC during the year. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Please refer to the subsections headed "Business Review", "Environmental Policies and Performance", "Compliance with Relevant Laws and Regulations" and "Key Relationships with Employees, Customers and Suppliers" in the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 69 to 198.

An interim dividend of HK7 cents per ordinary share was paid on 28 November 2018. The Directors recommend the payment of a final dividend of HK14 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 5 June 2019 subject to approval by shareholders of the Company in the forthcoming annual general meeting of the Company.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities, perpetual capital instruments and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on pages 199 to 200. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group during the year are set out in note 18 to the financial statements.

COMPLETED PROPERTIES HELD FOR SALE

Details of the completed properties held for sale of the Group during the year are set out in note 24 to the financial statements.

SHARE CAPITAL

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

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 the existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to approximately RMB1,726,337,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately RMB75,625,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

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

DIRECTORS

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

Executive Directors:
Mr. Wong Chiu Yeung
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent non-executive Directors:
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

In accordance with article 84 of the Company's articles of association, at each annual general meeting, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of directors upon reaching any age limit.

Accordingly, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Lu Hong Te will retire as Directors at the forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from all the three independent non-executive Directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 36 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Chiu Yeung, Mr. Chen Yuanlai and Mr. Cheng Hiu Lok, being executive Directors, has entered into a service contract with the Company for a term of three years commencing from 5 February 2010. Mr. Huang Youquan, being an executive Director, has entered into a service contract with the Company for a term from 1 May 2011 to 4 February 2013. Each of their service contracts is renewable automatically upon the expiry of the then current term of appointment, subject to termination by either party giving not less than three months' written notice. Mr. Wong Lun, being an executive Director, has entered into a service contract with the Company for a term from 1 March 2017 to 29 February 2020. Each of their service contracts is renewable automatically upon the expiry of the then current term of appointment, subject to termination by either party giving not less than three months' written notice.

The Company has issued a letter of appointment to each of Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, being independent non-executive Directors for an initial term of three years commencing from 6 January 2010. Upon expiry of the initial term, the Company has issued a letter of appointment to each of Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, for their appointment as independent non-executive Directors for a term of three years commencing from 6 January 2013 to 5 January 2016, which is renewable automatically thereafter for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, subject to termination by either party giving not less than two months' written notice and the retirement by rotation requirement in accordance with the articles of association of the Company and the Listing Rules.

No Director proposed for re-election at the forthcoming annual general meeting 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.

REMUNERATION POLICIES AND DIRECTORS' REMUNERATION

The Remuneration Committee oversees the overall remuneration policy and structure of the Group. The Group provides employees with competitive remuneration and benefits. The remuneration policy is reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the transactions set out in note 49 to the financial statements and the transaction specified in the paragraph headed "Connected Transaction" in this section, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2018 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance) in accordance with the articles of association of the Company being in force.

The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers arising out of corporate activities.

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

At 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares (the "Shares") of the Company:

	Interest in Shares			
Name of Director	**Beneficial Owner**	**Interest of Controlled Corporation**	**Total Number of Shares Held or Interested**	**Percentage of the Company's Issued Share Capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	–	2,047,500,000 (Note 1)	2,047,500,000	50.09%
Mr. Chen Yuanlai ("Mr. Chen")	20,000,000	150,000,000 (Note 2)	170,000,000	4.16%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	150,000,000 (Note 3)	150,000,000	3.67%
Mr. Huang Youquan	34,000,000	–	34,000,000	0.83%

Long positions in share options of the Company:

Name of Director	Number of Share Options Directly Beneficially Owned	Percentage of the Company's Issued Share Capital
Mr. Chen	40,000,000	0.98%
Mr. Cheng	40,000,000	0.98%
Mr. Huang Youquan	32,000,000	0.78%

Note 1: These 2,047,500,000 Shares were registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong held 100% of the entire issued share capital of Newup and was deemed to be interested in the 2,047,500,000 Shares held by Newup pursuant to the SFO.

Note 2: These 150,000,000 Shares were registered in the name of Rising Trade Holdings Limited. Mr. Chen held 100% of the entire issued share capital of Rising Trade Holdings Limited and was deemed to be interested in the 150,000,000 Shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 150,000,000 Shares were registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng held 100% of the entire issued share capital of Wealthy Gate Holdings Limited and was deemed to be interested in the 150,000,000 Shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 January 2010 (the "2010 Scheme") and a new share option scheme on 23 April 2018 (the "2018 Scheme") (together with the 2010 Scheme, collectively, the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The 2010 Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020. The 2018 Scheme became effective on 23 April 2018 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 22 April 2028.

The total number of shares which may be issued upon exercise of all options to be granted under the 2010 Scheme, the 2018 Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at 23 April 2018, being the adoption date of the 2018 Scheme, i.e. 382,384,000 shares (representing approximately 9.27% of the total number of issued shares as at the date of approval of this annual report), unless the Company obtains a fresh approval from shareholders to refresh the 10% limit, provided, inter alia, that the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2010 Scheme, the 2018 Scheme and any other share option schemes of the Company must not exceed 30% of the number of shares in issue from time to time. The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of delivery of the offer letter, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the grant of the share options.

The exercise price of the share options is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Further details of the Scheme as to the value of the share options granted are disclosed in note 37 to the financial statements. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised.

During the year, details of movements in the share options under the 2010 Scheme are as follows:

Category and Name of Grantee	Outstanding at 1 January 2018	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at 31 December 2018	Exercise Price per Share	Date of Grant	Exercise Period
Director									
Mr. Huang Youquan	24,000,000	–	24,000,000	–	–	–	HK$2.4	23 December 2016	23 June 2017 to 5 January 2020
	10,000,000	–	10,000,000	–	–	–	HK$2.4	23 December 2016	23 December 2018 to 5 January 2020
Sub-total	34,000,000	–	34,000,000	–	–	–			
Employees of the Group	190,000,000	–	190,000,000	–	–	–	HK$2.4	23 December 2016	23 June 2017 to 5 January 2020
	60,000,000	–	21,450,000	–	–	38,550,000	HK$2.4	23 December 2016	23 December 2018 to 5 January 2020
Sub-total	250,000,000	–	211,450,000	–	–	38,550,000			
Total	284,000,000	–	245,450,000	–	–	38,550,000			

During 2016, the Company granted 284,000,000 share options under the 2010 Scheme to the Group's employees (including Director). As at 31 December 2018, the Company had 38,550,000 share options (31 December 2017: 284,000,000 share options) outstanding under the 2010 Scheme.

During the year, details of movements in the share options under the 2018 Scheme are as follows:

Category and Name of Grantee	Outstanding at 1 January 2018	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at 31 December 2018	Exercise Price per Share	Date of Grant	Exercise Period
Director									
Mr. Chen	–	20,000,000	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028
	–	20,000,000	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028
Mr. Cheng	–	20,000,000	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028
	–	20,000,000	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028
Mr. Huang Youquan	–	16,000,000	–	–	–	16,000,000	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028
	–	16,000,000	–	–	–	16,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028
Sub-total	–	112,000,000	–	–	–	112,000,000			
Employees of the Group	–	135,000,000	–	–	–	135,000,000	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028
	–	135,000,000	–	–	–	135,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028
Sub-total	–	270,000,000	–	–	–	270,000,000			
Total	–	382,000,000	–	–	–	382,000,000			

During 2018, the Company granted 382,000,000 share options under the 2018 Scheme to the Group's employees (including Director). As at 31 December 2018, the Company had 382,000,000 share options outstanding under the 2018 Scheme.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor contract of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2018, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	Capacity and Nature of Interest	Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Newup (Note)	Beneficial owner	2,047,500,000	50.09%

Note: Newup was wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong was deemed to be interested in the Shares held by Newup pursuant to the SFO. Mr. Wong was the sole director of Newup.

Save as disclosed above, as at 31 December 2018, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTION

As disclosed in note 49 to the financial statements, certain related party transactions of the Group during the year ended 31 December 2018 constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements applicable to such transactions in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the issue of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE PURSUANT TO RULES 13.18 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 4 January 2016, pursuant to an agreement (the "2016 Facility Agreement") dated 4 January 2016 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a US$400,000,000 term loan facility (the "2016 Facility") to finance repayment of certain existing indebtedness of the Group.

The 2016 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2016 Facility is made under the 2016 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2016 Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, and his family members (together with Mr. Wong, the "Wong Family"), (a) must remain as the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain as the chairman of the Board of the Company throughout the life of the 2016 Facility. A breach of such requirement will constitute an event of default under the 2016 Facility Agreement, and as a result, the 2016 Facility will be liable to be declared immediately due and payable.

As disclosed in the announcement of the Company dated 14 March 2018, pursuant to an agreement (the "2018 Facility Agreement") dated 14 March 2018 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK$3,172,100,000 and US$9,000,000 dual tranche term loan facility (the "2018 Facility") to refinance existing financial indebtedness and finance the general corporate funding requirements of the Group.

The 2018 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2018 Facility is made under the 2018 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The 2018 Facility Agreement contains a requirement that Wong Family, (a) must remain as the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain as the chairman of the Board of the Company throughout the life of the 2018 Facility. A breach of such requirement will constitute an event of default under the 2018 Facility Agreement, and as a result, the 2018 Facility will be liable to be declared immediately due and payable.

As disclosed in the announcement of the Company dated 22 October 2018, the Company as borrower accepted the facility letter (the "2018 Bank Facility Letter") issued by a bank offering dated 22 October 2018 for the grant of a term loan (the "2018 Bank Facility") in the amount of up to HK$390,000,000 to finance or partly refinance the existing indebtedness of the Group and to finance the general corporate funding requirement of the Group.

The 2018 Bank Facility is for a term of 36 months commencing from the date of the first drawdown.

The 2018 Bank Facility Letter contains a requirement that Wong Family, (a) must remain as the single largest shareholder in the Company; (b) maintain (directly or indirectly) not less than 40% beneficial shareholding interest in the issued share capital and management control of the Company; and (c) Mr. Wong or a member of the Wong Family shall remain as the chairman of the board of directors of the Company throughout the life of the 2018 Bank Facility. A breach of such requirement will constitute an event of default under the 2018 Bank Facility Letter, and as a result, the 2018 Bank Facility will be liable to be declared immediately due and payable.

As at the date of this annual report, Mr. Wong and his associates jointly own approximately 51.02% of the voting share capital of the Company.

FUTURE DEVELOPMENT OF THE GROUP'S BUSINESS

Please refer to the section headed "Chairman's Statement — Outlook" for an indication of the likely future development in the Group's business.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Wong Chiu Yeung
Chairman

Hong Kong
20 March 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China SCE Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 198, 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, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 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 judgement, 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties The Group has various investment properties in Mainland China. Such investment properties are measured at fair value and the aggregate carrying amount of these investment properties was approximately RMB20.3 billion as at 31 December 2018. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The accounting policies and disclosures for the estimation of the fair value of investment properties are included in notes 3, 4 and 15 to the consolidated financial statements.	We evaluated the objectivity, independence and competency of the valuer. We also involved our internal valuation specialists to assist us to assess the methodologies and assumptions adopted in the valuation for estimating the fair value of the investment properties.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Anthony S.T. Leung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**17,782,886**	16,105,245
Cost of sales		**(11,636,290)**	(10,620,061)
Gross profit		**6,146,596**	5,485,184
Other income and gains	6	**386,637**	122,812
Changes in fair value of investment properties, net	15	**1,082,540**	1,262,744
Selling and marketing expenses		**(398,421)**	(530,538)
Administrative expenses		**(1,298,702)**	(963,431)
Other expenses		**–**	(332,561)
Finance costs	7	**(401,686)**	(392,048)
Share of profits and losses of:			
Joint ventures		**513,275**	814,542
Associates		**22,217**	(6,062)
PROFIT BEFORE TAX	8	**6,052,456**	5,460,642
Income tax expense	11	**(2,375,633)**	(2,012,091)
PROFIT FOR THE YEAR		**3,676,823**	3,448,551
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures		**(13,837)**	46,017
Share of other comprehensive income/(loss) of associates		**(28)**	157
Exchange differences on translation of foreign operations		**(486,437)**	578,541
Release of other reserves upon deemed acquisition of subsidiaries		**40,539**	–
Available-for-sale investments:			
Change in fair value		**–**	52,051
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(459,763)**	676,766
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**–**	82,872
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(459,763)**	759,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,217,060**	4,208,189

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Profit attributable to:			
Owners of the parent		**3,385,284**	2,840,035
Holders of perpetual capital instruments		**58,363**	51,975
Non-controlling interests		**233,176**	556,541
		3,676,823	3,448,551
Total comprehensive income attributable to:			
Owners of the parent		**3,019,205**	3,516,512
Holders of perpetual capital instruments		**58,363**	51,975
Non-controlling interests		**139,492**	639,702
		3,217,060	4,208,189
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**RMB87.8 cents**	RMB79.9 cents
Diluted		**RMB86.0 cents**	RMB78.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**680,784**	104,894
Investment properties	15	**20,270,300**	10,251,718
Prepaid land lease payments	16	**5,028,066**	5,414,497
Intangible asset	17	**3,319**	3,489
Properties under development	18	**2,730,414**	1,524,085
Contract in progress	19	**326,907**	340,667
Investments in joint ventures	20	**5,683,818**	3,308,894
Investments in associates	21	**155,072**	115,265
Available-for-sale investments	22	**–**	229,541
Prepayments and other assets	26	**3,836,906**	2,948,515
Deferred tax assets	34	**561,628**	344,923
Total non-current assets		**39,277,214**	24,586,488
CURRENT ASSETS			
Properties under development	18	**28,101,140**	21,740,001
Completed properties held for sale	24	**3,242,502**	2,967,252
Trade receivables	25	**401,785**	57,634
Prepayments, other receivables and other assets	26	**4,855,783**	2,881,509
Financial assets at fair value through profit or loss	28	**642,440**	–
Due from related parties	27	**4,009,493**	3,468,627
Prepaid income tax		**987,603**	831,372
Restricted cash	29	**4,409,592**	1,471,342
Pledged deposits	29	**47,909**	25,300
Cash and cash equivalents	29	**15,515,314**	8,145,483
Total current assets		**62,213,561**	41,588,520
CURRENT LIABILITIES			
Trade and bills payables	30	**8,347,133**	3,152,203
Other payables and accruals	31	**9,929,465**	20,136,559
Contract liabilities	31	**21,539,926**	–
Interest-bearing bank and other borrowings	32	**10,537,381**	4,481,209
Derivative financial instruments	23	**26,739**	40,364
Senior notes and domestic bonds	33	**–**	3,477,192
Due to related parties	27	**1,246,015**	1,707,222
Tax payable		**2,599,736**	1,643,712
Total current liabilities		**54,226,395**	34,638,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NET CURRENT ASSETS		7,987,166	6,950,059
TOTAL ASSETS LESS CURRENT LIABILITIES		47,264,380	31,536,547
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	9,594,620	8,150,246
Derivative financial instruments	23	–	149,031
Senior notes and domestic bonds	33	13,205,644	5,414,433
Deferred tax liabilities	34	2,279,297	1,226,399
Provision for major overhauls	35	45,412	38,568
Total non-current liabilities		25,124,973	14,978,677
Net assets		22,139,407	16,557,870
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	353,077	329,804
Reserves	38	15,129,109	12,128,322
		15,482,186	12,458,126
Perpetual capital instruments	39	700,000	700,000
Non-controlling interests		5,957,221	3,399,744
Total equity		22,139,407	16,557,870

Wong Chiu Yeung
Director

Huang Youquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent															
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Available-for-sale investments revaluation reserve RMB'000	Property revaluation reserve RMB'000	Other reserves RMB'000	Share option reserve RMB'000 (note 38(e))	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual capital instruments RMB'000 (note 39)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	295,732	1,195,848	(155,839)	755,856	30	–	–	(70,676)	2,833	(44,811)	(452,470)	6,881,314	8,407,817	900,000	2,764,014	12,071,831
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,840,035	2,840,035	51,975	556,541	3,448,551
Other comprehensive income for the year:																
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	46,017	–	–	–	–	46,017	–	–	46,017
Share of other comprehensive income of associates	–	–	–	–	–	–	–	157	–	–	–	–	157	–	–	157
Change in fair value of available-for-sale investments	–	–	–	–	–	52,051	–	–	–	–	–	–	52,051	–	–	52,051
Gain on property revaluation	–	–	–	–	–	–	82,872	–	–	–	–	–	82,872	–	–	82,872
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	495,380	–	495,380	–	83,161	578,541
Total comprehensive income for the year	–	–	–	–	–	52,051	82,872	46,174	–	–	495,380	2,840,035	3,516,512	51,975	639,702	4,208,189
Capital reduction of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(48,500)	(48,500)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	763,085	763,085
Acquisition of non-controlling interests	–	–	(118,606)	–	–	–	–	–	–	–	–	–	(118,606)	–	(395,793)	(514,399)
Acquisition of subsidiaries that are not a business (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	81,572	81,572
Issue of shares (note 36)	34,072	1,189,234	–	–	–	–	–	–	–	–	–	–	1,223,306	–	–	1,223,306
Redemption of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	(200,000)	–	(200,000)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(404,336)	(404,336)
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	(51,975)	–	(51,975)
2016 final dividend	–	(429,439)	–	–	–	–	–	–	–	–	–	–	(429,439)	–	–	(429,439)
2017 interim dividend	–	(195,429)	–	–	–	–	–	–	–	–	–	–	(195,429)	–	–	(195,429)
Transfer to statutory surplus reserve	–	–	–	359,132	–	–	–	–	–	–	–	(359,132)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	53,965	–	–	–	53,965	–	–	53,965
At 31 December 2017	329,804	1,760,214*	(274,445)*	1,114,988*	30*	52,051*	82,872*	(24,502)*	56,798*	(44,811)*	42,910*	9,362,217*	12,458,126	700,000	3,399,744	16,557,870

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent															
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Available-for-sale investments revaluation reserve RMB'000	Property revaluation reserve RMB'000	Other reserves RMB'000	Share option reserve RMB'000 (note 38(e))	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual capital instruments RMB'000 (note 39)	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	329,804	1,760,214*	(274,445)*	1,114,988*	30*	52,051*	82,872*	(24,502)*	56,798*	(44,811)*	42,910*	9,362,217*	12,458,126	700,000	3,399,744	16,557,870
Effect of adoption of HKFRS 15 (note 2)	–	–	–	–	–	–	–	–	–	–	–	50,466	50,466	–	761	51,227
Effect of adoption of HKFRS 9 (note 2)	–	–	–	–	–	(52,051)	–	–	–	–	–	52,051	–	–	–	–
At 1 January 2018 (restated)	329,804	1,760,214	(274,445)	1,114,988	30	–	82,872	(24,502)	56,798	(44,811)	42,910	9,464,734	12,508,592	700,000	3,400,505	16,609,097
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	3,385,284	3,385,284	58,363	233,176	3,676,823
Other comprehensive income/(loss) for the year:																
Release of other reserves upon deemed acquisition of subsidiaries	–	–	–	–	–	–	–	40,539	–	–	–	–	40,539	–	–	40,539
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	–	(13,837)	–	–	–	–	(13,837)	–	-	(13,837)
Share of other comprehensive loss of associates	–	–	–	–	–	–	–	(28)	–	–	–	–	(28)	–	–	(28)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(392,753)	–	(392,753)	–	(93,684)	(486,437)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	26,674	–	–	(392,753)	3,385,284	3,019,205	58,363	139,492	3,217,060
Capital reduction of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(44,739)	(44,739)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,545,511	1,545,511
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(505,745)	(505,745)
Deemed acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,338,728	1,338,728
Acquisition of subsidiaries that are not a business (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	83,469	83,469
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	(58,363)	–	(58,363)
Deregistration of a subsidiary	–	–	7,470	–	–	–	–	–	–	–	–	–	7,470	–	–	7,470
Share options exercised	21,728	559,765	–	–	–	–	–	–	(60,014)	–	–	–	521,479	–	–	521,479
Issue of shares for scrip dividend	1,545	46,335	–	–	–	–	–	–	–	–	–	–	47,880	–	–	47,880
2017 final dividend	–	(413,984)	–	–	–	–	–	–	–	–	–	–	(413,984)	–	–	(413,984)
2018 interim dividend	–	(225,993)	–	–	–	–	–	–	–	–	–	–	(225,993)	–	–	(225,993)
Transfer to statutory surplus reserve	–	–	–	171,944	–	–	–	–	–	–	–	(171,944)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	17,537	–	–	–	17,537	–	–	17,537
At 31 December 2018	353,077	1,726,337*	(266,975)*	1,286,932*	30*	–*	82,872*	2,172*	14,321*	(44,811)*	(349,843)*	12,678,074*	15,482,186	700,000	5,957,221	22,139,407

* These reserve accounts comprise the consolidated reserves of RMB15,129,109,000 (31 December 2017: RMB12,128,322,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,052,456**	5,460,642
Adjustments for:			
Finance costs	7	**401,686**	392,048
Share of profits and losses of:			
Joint ventures		**(513,275)**	(814,542)
Associates		**(22,217)**	6,062
Bank interest income	6	**(87,924)**	(41,085)
Gain on disposal of items of property and equipment, net	6,8	**(11,190)**	(1,601)
Gain on deemed disposal of a subsidiary upon loss of control	6,43	**–**	(20,903)
Loss on deemed acquisition of subsidiaries, net	8,41	**26,983**	–
Fair value losses/(gains), net:			
Derivative financial instruments — transactions not qualifying as hedges	6,8	**(166,338)**	332,561
Financial assets at fair value through profit or loss	8	**39,285**	–
Remeasurement of investment in an associate	6,8	**(21,097)**	–
Loss on disposal of investment properties, net	8	**11,988**	10,171
Depreciation	8,14	**33,065**	21,580
Changes in fair value of investment properties, net	15	**(1,082,540)**	(1,262,744)
Amortisation of prepaid land lease payments	8,16	**8,281**	17,271
Amortisation of an intangible asset	8,17	**170**	164
Write down to net realisable value of completed properties held for sale	8	**–**	66,698
Equity-settled share option expense		**17,537**	53,965
		4,686,870	4,220,287
Additions to prepaid land lease payments	16	**(6,422,996)**	(6,626,250)
Increase in properties under development		**(9,386,066)**	(5,168,434)
Increase in contract in progress	19	**(3,882)**	(23,038)
Decrease in completed properties held for sale		**11,298,108**	10,342,470
Decrease/(increase) in trade receivables		**(290,767)**	127,400
Increase in prepayments, other receivables and other assets		**(3,194,534)**	(2,445,687)
Increase in trade and bills payables		**4,229,205**	352,368
Increase in other payables and accruals		**1,732,560**	5,409,073
Increase in contract liabilities		**5,206,981**	–
Increase in provision for major overhauls, net	35	**4,800**	4,263
Cash generated from operations		**7,860,279**	6,192,452
Interest received		**87,924**	41,085
Interest paid		**(2,013,896)**	(1,483,544)
PRC corporate income tax paid		**(880,220)**	(810,384)
PRC land appreciation tax paid		**(772,475)**	(516,059)
Net cash flows from operating activities		**4,281,612**	3,423,550

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	14	**(619,186)**	(51,215)
Proceeds from disposal of items of property and equipment		**22,206**	3,146
Additions to investment properties	15	**(781,067)**	(530,144)
Proceeds from disposal of investment properties		**177,517**	7,811
Prepayment for acquisition of subsidiaries		**–**	(955,042)
Prepayment for acquisition of an associate		**(60,000)**	–
Prepayment for establishment of joint ventures		**(697,371)**	–
Acquisition of subsidiaries that are not a business	42	**(717,755)**	(2,258,039)
Deemed acquisition of subsidiaries	41	**93,460**	–
Deemed disposal of a subsidiary upon loss of control	43	**–**	(105,619)
Investment in joint ventures		**(1,837,968)**	(1,295,172)
Dividend from joint ventures		**247,938**	202,027
Investment in an associate		**(1,600)**	(7,500)
Dividend from associates		**540**	525
Loans to joint ventures and associates		**(1,227,796)**	(2,934,465)
Purchase of financial assets at fair value through profit or loss/ available-for-sale investments		**(439,532)**	(48,406)
Increase in restricted cash		**(2,800,234)**	(342,519)
Decrease/(increase) in pledged deposits		**(22,609)**	236,641
Net cash flows used in investing activities		**(8,663,457)**	(8,077,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		**3,753,015**	3,425,443
Issuance costs of senior notes		**(48,546)**	(42,207)
New bank and other borrowings		**16,648,534**	8,381,984
Repayment of bank and other borrowings		**(9,953,961)**	(6,729,895)
Capital contribution from non-controlling shareholders		**1,545,511**	763,085
Capital reduction of subsidiaries		**(44,739)**	(48,500)
Advances from non-controlling shareholders		**1,546,168**	–
Acquisition of non-controlling interests		**–**	(238,539)
Increase/(decrease) in amounts due to related parties, net		**(1,221,088)**	139,551
Distribution to holders of perpetual capital instruments		**(58,363)**	(51,975)
Redemption of perpetual capital instruments		**–**	(200,000)
Proceeds from issue of shares		**–**	1,240,221
Share issue expenses		**–**	(16,915)
Proceeds from exercise of share options		**521,479**	–
Dividends paid		**(592,097)**	(624,868)
Dividends paid to non-controlling shareholders of subsidiaries		**(505,745)**	(404,336)
Net cash flows from financing activities		**11,590,168**	5,593,049

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,208,323**	938,628
Cash and cash equivalents at beginning of year		**8,145,483**	7,211,994
Effect of foreign exchange rate changes, net		**161,508**	(5,139)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**15,515,314**	8,145,483
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	29	**15,515,314**	8,145,483

1. CORPORATE AND GROUP INFORMATION

China SCE Group Holdings Limited (formerly known as "China SCE Property Holdings Limited") (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of the principal place of business of the Company in the People's Republic of China (the "PRC") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shenchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and property management in the PRC during the year.

In the opinion of the directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Affluent Way International Limited ø^	BVI	US$1	100	–	Investment holding
South China Group (H.K.) Limited ø^	Hong Kong	HK$100	–	100	Investment holding
Xiamen Zhongjun Industrial Co., Ltd.** ("Xiamen Zhongjun") (廈門中駿集團有限公司#)	China	HK$1,670,000,000	–	100	Investment holding and trading of construction materials
Shanghai Zhongjun Property Co., Ltd.* (上海中駿置業有限公司#)	China	RMB100,000,000	–	100	Investment holding and trading of construction materials
Beijing Dushishengjing Real Estate Development Co., Ltd.* (北京都市聖景房地產開發有限公司#)	China	RMB10,000,000	–	100	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Jinhui Real Estate Development Co., Ltd.** (北京京匯房地產開發有限公司#)	China	RMB100,000,000	–	100	Property development and property investment
Fujian Zhongjun Industrial Co., Ltd.* (福建中駿置業有限公司#)	China	RMB1,000,000,000	–	100	Investment holding, property development and property investment
Shanxi Yuanhong Real Estate Development Co., Ltd.* (山西源宏房地產開發有限公司#)	China	RMB100,000,000	–	70	Property development
Fujian Straits West-Coast Investment Co., Ltd.* ("West-Coast Investment") (福建省海峽西岸投資有限公司#)	China	RMB700,000,000	–	58	Property development and property investment
Quanzhou Puxi Third Property Co., Ltd.*** (泉州市浦西三號置業有限公司#)	China	RMB900,000,000	–	100	Property development and property investment
South Fujian Gold Coast Resort Co., Ltd. Shishi** (石獅市閩南黃金海岸渡假村有限公司#)	China	RMB800,000,000	–	45	Property development and property investment
Shishi Junde Real Estate Development Co., Ltd.* (石獅駿德房地產開發有限公司#)	China	RMB600,000,000	–	60	Property development and property investment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Pacific Prestige Real Estate Development Limited** (深圳泛亞房地產開發有限公司#)	China	HK$160,000,000	–	82	Property development
Tianjin Junrun Real Estate Development Co., Ltd.* (天津駿潤房地產開發有限公司#)	China	RMB100,000,000	–	100	Property development
Beijing Junyu Real Estate Development Co., Ltd.* (北京駿宇房地產開發有限公司#)	China	RMB400,000,000	–	100	Property development
Beijing Junda Real Estate Development Co., Ltd.* (北京駿達房地產開發有限公司#)	China	RMB30,000,000	–	100	Property development and property investment
Tianjin Junkun Real Estate Development Co., Ltd.* (天津駿坤房地產開發有限公司#)	China	RMB300,000,000	–	51	Property development
Nanchang Junda Real Estate Development Co., Ltd.* (南昌駿達房地產開發有限公司#)	China	RMB100,000,000	–	100	Property development
Shanghai Junwo Real Estate Development Co., Ltd.*^ (上海駿沃房地產開發有限公司#)	China	RMB480,000,000	–	100	Property development and property investment
Shanghai Heng Zhi Property Co., Ltd.* (上海衡智房地產有限公司#)	China	RMB100,000,000	–	100	Property development
Shanghai Junbo Real Estate Development Co., Ltd.*^ (上海駿博房地產開發有限公司#)	China	RMB209,000,000	–	100	Property development and property investment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Junming Real Estate Development Co., Ltd.*** (上海駿鳴房地產開發有限公司#)	China	RMB1,100,000,000	–	100	Property development and property investment
Hangzhou Bailu Real Estate Development Co., Ltd.*^ (杭州白鷺房地產開發有限公司#)	China	RMB8,000,000	–	100	Property development
Nan'an Junhong Real Estate Development Co., Ltd* (南安駿宏房地產開發有限公司#)	China	RMB150,000,000	–	80	Property development and property investment
Jinan Junquan Real Estate Development Co., Ltd.*^ (濟南駿泉房地產開發有限公司#)	China	RMB700,000,000	–	45	Property development
Nanchang Junjie Real Estate Development Co., Ltd.*** (南昌駿捷房地產開發有限公司#)	China	US$88,790,000	–	90	Property development
Zhangzhou Junfeng Real Estate Development Co., Ltd.* (漳州駿豐房地產開發有限公司#)	China	RMB50,000,000	–	90	Property development
Hangzhou Junjin Industrial Development Co., Ltd.* (杭州駿錦實業發展有限公司#)	China	RMB363,787,500	–	96	Property development and property investment
Xuzhou Junjia Real Estate Development Co., Ltd*** (徐州駿嘉房地產開發有限公司#)	China	US$94,024,000	–	96	Property development
Shanghai Zhongjun Chuangfu Real Estate Co., Ltd.*** ("Shanghai Zhongjun Chuangfu") (上海中駿創富房地產有限公司#)	China	RMB1,800,000,000	–	61	Property development and property investment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shangqiu Zhongyu Property Co., Ltd.* (商丘市中裕置業有限公司#)	China	RMB200,000,000	–	40	Property development
Shanghai Junzhan Real Estate Development Co., Ltd.** (上海駿展房地產開發有限公司#)	China	RMB1,000,000,000	–	100	Property investment
Suzhou Junyuan Real Estate Development Co. Ltd.* (蘇州駿源房地產開發有限公司#)	China	RMB20,000,000	–	95	Property development
Nanjing Junyuan Real Estate Development Co., Ltd.* ("Nanjing Junyuan") (南京駿原房地產開發有限公司#)	China	RMB1,960,000,000	–	50	Property development
Chongqing Junhuigongchuang Real Estate Development Co., Ltd.* (重慶駿匯共創房地產開發有限公司#)	China	RMB15,000,000	–	47	Property development
Songming Zhongjiguoye Real Estate Development Co., Ltd.* ("Songming Zhongji") (嵩明中稷國燁房地產開發有限公司#)	China	RMB150,000,000	–	70	Property development
Qingdao Zhong Yutai Property Development Co., Ltd.*^ ("Qingdao Zhong Yutai") (青島眾裕泰置業有限公司#)	China	RMB52,241,000	–	96	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

- * Registered as limited liability companies under the PRC law
- ** Registered as wholly-foreign-owned entities under the PRC law
- *** Registered as Sino-foreign joint ventures under the PRC law
- # The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.
- ^ At 31 December 2018, the equity interests of these companies were pledged to secure certain bank and other borrowings of RMB7,668,159,000 (2017: RMB3,790,998,000) granted to the Group (note 32(b)).
- ø As at 31 December 2018, the equity interests of these companies were pledged under share mortgage to the holders of the senior notes of US$350,000,000 at a coupon rate of 10.0% due 2020 issued in July 2015 (the "2015 Senior Notes"); the senior notes of US$500,000,000 at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "2017 Senior Notes"); and the senior notes of US$600,000,000 at a coupon rate of 7.45% due 2021 issued in April 2018 (the "2018 Senior Notes") (note 33).

During the year, the Group deemed acquired a subsidiary namely, Shanghai Zhongjun Chuangfu. Further details of the acquisition are set out in note 41 to these financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and HKAS 40, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Summary of impact of HKFRS 15 and HKFRS 9 on the consolidated statement of financial position as at 1 January 2018:

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

	As previously stated	Reclassification under HKFRS 15	Adjustment under HKFRS 15	Reclassification under HKFRS 9	Restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated statement of financial position (extract)					
Available-for-sale investments	229,541	–	–	(229,541)	–
Deferred tax assets	344,923	–	(17,076)	–	327,847
Prepayments, other receivables and other assets	2,881,509	–	68,303	–	2,949,812
Financial assets at fair value through profit or loss	–	–	–	229,541	229,541
Other payables and accruals	20,136,559	(15,610,834)	–	–	4,525,725
Contract liabilities	–	15,610,834	–	–	15,610,834
Available-for-sale investments revaluation reserve	52,051	–	–	(52,051)	–
Retained profits	9,362,217	–	50,466	52,051	9,464,734
Non-controlling interests	3,399,744	–	761	–	3,400,505

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(a) Classification and measurement *(Continued)*

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows:

	Note	Measurement Category Original (HKAS 39)	Measurement Category New (HKFRS 9)	Amount Original RMB'000	Amount New RMB'000	Re-classification RMB'000
Non-current financial assets						
Available-for-sale investments	(i)	Amortised cost	N/A	229,541	–	(229,541)
Current financial assets						
Trade receivables		Amortised cost	Amortised cost	57,634	57,634	–
Financial assets included in prepayments, other receivables and other assets		Amortised cost	Amortised cost	2,158,160	2,158,160	–
Financial assets at fair value through profit or loss	(i)	N/A	FVPL[1]	–	229,541	229,541
Due from related parties		Amortised cost	Amortised cost	3,468,627	3,468,627	–
Restricted cash		Amortised cost	Amortised cost	1,471,342	1,471,342	–
Pledged deposits		Amortised cost	Amortised cost	25,300	25,300	–
Cash and cash equivalents		Amortised cost	Amortised cost	8,145,483	8,145,483	–
Current financial liabilities						
Trade and bills payables		Amortised cost	Amortised cost	3,152,203	3,152,203	–
Financial liabilities included in other payables and accruals		Amortised cost	Amortised cost	4,525,725	4,525,725	–
Interest-bearing bank and other borrowings		Amortised cost	Amortised cost	4,481,209	4,481,209	–
Derivative financial instruments		FVPL[1]	FVPL[1]	40,364	40,364	–
Senior notes and domestic bonds		Amortised cost	Amortised cost	3,477,192	3,477,192	–
Due to related parties		Amortised cost	Amortised cost	1,707,222	1,707,222	–
Non-current financial liabilities						
Interest-bearing bank and other borrowings		Amortised cost	Amortised cost	8,150,246	8,150,246	–
Derivative financial instruments		FVPL[1]	FVPL[1]	149,031	149,031	–
Senior notes and domestic bonds		Amortised cost	Amortised cost	5,414,433	5,414,433	–

[1] FVPL: Financial assets or financial liabilities at fair value through profit or loss

Note:

(i) The Group has reclassified its unlisted investments of RMB229,541,000 previously classified as available-for-sale investments to financial assets at fair value through profit or loss since the unlisted investments did not pass the contractual cash flow characteristics test for classification at amortised cost under HKFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(b) Impairment of financial assets

The Group has six types of financial assets that are subject to HKFRS 9's new ECL model:

- Trade receivables;
- Financial assets included in prepayments, other receivables and other assets;
- Due from related parties;
- Restricted cash;
- Pledged deposits; and
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The restatement of the loss allowance for these classes of assets on transition to HKFRS 9 as a result of applying the expected credit risk model was not significant. Therefore, the carrying amount for these classes of assets and the retained profits at 1 January 2018 have not been impacted by the initial application of HKFRS 9. Further details are disclosed in notes 25, 26, 27 and 29 to the financial statements.

(c) Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(d) Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Available-for-sale investments revaluation reserve	
Balance as at 31 December 2017 under HKAS 39	52,051
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(52,051)
Balance as at 1 January 2018 under HKFRS 9	–
Retained profits	
Balance as at 31 December 2017 under HKAS 39	9,362,217
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	52,051
Balance as at 1 January 2018 under HKFRS 9	9,414,268

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in liability account balances between periods. The disclosures are included in notes 6 and 31 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 3 to these financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that were not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** RMB'000
Assets		
Prepayments, other receivables and other assets	(i)	68,303
Deferred tax assets	(i), (iii)	(17,076)
Total assets		51,227
Liabilities		
Other payables and accruals	(ii)	(15,610,834)
Contract liabilities	(ii)	15,610,834
Total liabilities		–
Equity		
Retained profits	(i), (iii)	50,466
Non-controlling interests	(i), (iii)	761
Total equity		51,227

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Revenue		17,782,886	17,782,886	–
Cost of sales	(i)	(11,636,290)	(11,453,683)	182,607
Gross profit		6,146,596	6,329,203	(182,607)
Selling and marketing expenses	(i)	(398,421)	(722,669)	(324,248)
Profit before tax		6,052,456	5,910,815	141,641
Income tax expense	(iii)	(2,375,633)	(2,340,223)	35,410
Profit for the year		3,676,823	3,570,592	106,231
Attributable to:				
Owners of the parent		3,385,284	3,318,594	66,690
Holders of perpetual capital instruments		58,363	58,363	–
Non-controlling interests	(i)	233,176	193,635	39,541
		3,676,823	3,570,592	106,231
Earnings per share attributable to ordinary equity holders of the parent				
Basic		RMB87.8 cents	RMB86.1 cents	RMB1.7 cents
Diluted		RMB86.0 cents	RMB84.3 cents	RMB1.7 cents

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Consolidated statement of financial position as at 31 December 2018:

	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Deferred tax assets	(i)	561,628	614,114	(52,486)
Prepayments, other receivables and other assets	(i)	8,692,689	8,482,745	209,944
Total assets		101,490,775	101,333,317	157,458
Other payables and accruals	(ii)	9,929,465	31,469,391	(21,539,926)
Contract liabilities	(ii)	21,539,926	–	21,539,926
Total liabilities		79,351,368	79,351,368	–
Net assets		22,139,407	21,981,949	157,458
Retained profits	(i), (iii)	12,678,074	12,560,918	117,156
Non-controlling interests	(i), (iii)	5,957,221	5,916,919	40,302
Total equity		22,139,407	21,981,949	157,458

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of the financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Costs of obtaining contracts

Prior to the adoption of HKFRS 15, the Group expensed off the incremental costs of obtaining contracts with customers when incurred. Upon adoption of HKFRS 15, incremental costs incurred directly attributable to obtain a contract with customers, if recoverable, are capitalised and recorded in prepayments, other receivables and other assets. Capitalised incremental costs of obtaining a contract with customers are charged to profit or loss when the relevant contracts are completed.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

(i) Costs of obtaining contracts *(Continued)*

As a result of this change in accounting policy, the effect of the change has led to capitalisation of incremental costs of obtaining a contract with customers paid/payable that are related to property sales contracts amounting to RMB68,303,000; decreased deferred tax assets by RMB17,076,000; increased retained profits by RMB50,466,000; and increased non-controlling interests by RMB761,000 at 1 January 2018.

As at 31 December 2018, the effect of the change has led to capitalisation of incremental costs of obtaining a contract with customers paid/payable that are related to property sales contracts amounting to RMB209,944,000; decreased deferred tax assets by RMB52,486,000; increased retained profits by RMB117,156,000; and increased non-controlling interests by RMB40,302,000.

(ii) Consideration received from customers in advance

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customer in connection with the Group's pre-sales of properties as receipts in advance under other payables and accruals in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group has recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group has elected to apply the practical expedient and has not recognised the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits and receipts in advance as at 1 January 2018 and 31 December 2018.

(iii) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

Amendments to HKAS 40 *Transfers of Investment Property*

Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemption allowed by the standard on lease contracts whose lease term end within 12 months as of the date of initial application. During 2018, the Group has performed an assessment on the impact of adoption of HKFRS 16. The Group has estimated that the adoption of HKFRS 16 does not have significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, contract in progress, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Transportation equipment	10% to 25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Changes in the values of revalued property and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for “Intangible asset (other than goodwill)” below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for “Revenue recognition” below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangement *(Continued)*

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of an intangible asset recognised in profit or loss in the period is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial assets at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECL for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECL with policies as described above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, amounts due to related parties, interest-bearing bank and other borrowings and senior notes and domestic bonds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings and domestic bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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 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.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sales of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) Rendering of service

Revenue from provision of management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Land development

Revenue from land development is recognised at a point in time, when the customer obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from other sources

Rental income and facilities rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties have been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) facilities rental income, on a time proportion basis over the lease terms; and

(f) from the Land Development Contract and the Supplemental Contract (as defined in note 19), upon the transfer of risks and rewards in connection with the land parcel developed and when the amount of revenue can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract cost (applicable from 1 January 2018)

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Land development contract

The Group has entered into a land development contract (the "Land Development Contract") with the local government of Nan'an City (the "Nan'an Government"), the PRC, to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities on certain land parcels in Nan'an City.

Pursuant to the Supplemental Contract (as defined in note 19), upon completion of the necessary construction and preparation works of each land parcel, the Nan'an Government will pay the Group the construction and other related cost plus a margin. Such amount will be paid by the Nan'an Government upon the related land parcels to be sold by the Nan'an Government through public auction.

Revenue from the Land Development Contract is recognised at a point in time when the Nan'an Government obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable and the amount of revenue can be measured reliably, which occurs upon the completion of related construction and preparation works as well as the sales of the relevant land parcel. The timing of sales of each land parcel by the Nan'an Government is uncertain and out of the control of the Group.

Costs incurred by the Group in connection with the Land Development Contract comprise the aggregate costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such Land Development Contract and are classified as "Contract in progress" before the relevant land parcels are sold.

Contract in progress is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's revenue derived from the construction and preparation work carry out less costs to completion and the costs to be incurred in realising the revenue based on prevailing market conditions.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of Equity-Settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

Proposed final dividends are disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK$") while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, joint ventures and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as historical transaction, future development plan and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls certain entities, even though it owns less than 50% of the voting rights of these entities, because the Group is entitled to appoint a majority of directors in the board of directors and accordingly, the Group is able to control and direct the financing and operating activities of these entities.

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 described below.

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

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

6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers		
Sales of properties	**17,224,700**	15,573,839
Property management fees	**336,678**	270,295
Land development income	**–**	85,691
Project management income	**90,546**	51,921
Revenue from other sources		
Gross rental income	**130,962**	123,499
	17,782,886	16,105,245

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Sales of properties RMB'000	Property management fees RMB'000	Land development income RMB'000	Project management income RMB'000	Total RMB'000
Timing of revenue recognition:					
Goods transferred at a point in time	17,224,700	–	–	–	17,224,700
Services transferred over time	–	336,678	–	90,546	427,224
Total revenue from contracts with customers	17,224,700	336,678	–	90,546	17,651,924

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of properties	12,384,485

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

Property management fees and Project management income

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations *(Continued)*

Land development income

The performance obligation is satisfied when the development of the relevant land is completed.

	2018 RMB'000	2017 RMB'000
Other income and gains		
Bank interest income	87,924	41,085
Forfeiture income on deposits received	6,668	17,061
Gain on disposal of items of property and equipment, net	11,190	1,601
Gain on deemed disposal of a subsidiary upon loss of control (note 43)	–	20,903
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	166,338	–
Fair value gain on remeasurement of investment in an associate	21,097	–
Others	93,420	42,162
	386,637	122,812

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings, senior notes and domestic bonds	2,133,590	1,567,441
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 35)	2,044	1,741
Total interest expense on financial liabilities not at fair value through profit or loss	2,135,634	1,569,182
Less: Interest capitalised	(1,733,948)	(1,177,134)
	401,686	392,048

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of properties sold		**11,298,108**	10,342,470
Cost of services provided		**338,012**	277,427
Depreciation	14	**33,065**	21,580
Amortisation of land lease payments	16	**8,281**	17,271
Amortisation of an intangible asset*	17	**170**	164
Provision for major overhauls	35	**5,228**	5,003
Minimum lease payments under operating leases for land and buildings		**37,040**	15,409
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties		**434**	441
Auditor's remuneration		**4,250**	3,600
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and other staff costs		**897,123**	494,570
Equity-settled share option expense		**17,537**	53,965
Pension scheme contributions		**143,173**	64,035
Less: Amount capitalised		**(429,402)**	(143,260)
		628,431	469,310
Foreign exchange losses, net		**78,141**	135,081
Fair value gain of derivative financial instruments — transactions not qualifying as hedges		**(166,338)**	–
Fair value loss of derivative financial instruments — transactions not qualifying as hedges**		**–**	332,561
Fair value loss of financial assets at fair value through profit or loss		**39,285**	–
Fair value gain on remeasurement of investment in an associate		**(21,097)**	–
Loss on deemed acquisition of subsidiaries, net	41	**26,983**	–
Write down to net realisable value of completed properties held for sale		**–**	66,698
Loss on disposal of investment properties, net		**11,988**	10,171
Gain on disposal of items of property and equipment, net	6	**(11,190)**	(1,601)

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** The item was included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income of the Group.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 **RMB'000**	2017 RMB'000
Fees	**852**	717
Other emoluments:		
Salaries, allowances and benefits in kind	**6,656**	6,586
Discretionary performance related bonuses	**7,829**	8,039
Equity-settled share option expense	**3,297**	6,635
Pension scheme contributions	**99**	97
	17,881	21,357
	18,733	22,074

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018						
Independent non-executive directors:						
Mr. Ting Leung Huel Stephen	**284**	**–**	**–**	**–**	**–**	**284**
Mr. Lu Hong Te	**284**	**–**	**–**	**–**	**–**	**284**
Mr. Dai Yiyi	**284**	**–**	**–**	**–**	**–**	**284**
	852	**–**	**–**	**–**	**–**	**852**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017						
Independent non-executive directors:						
Mr. Ting Leung Huel Stephen	239	–	–	–	–	239
Mr. Lu Hong Te	239	–	–	–	–	239
Mr. Dai Yiyi	239	–	–	–	–	239
	717	–	–	–	–	717

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018						
Executive directors:						
Mr. Wong Chiu Yeung ("Mr. Wong")	**–**	**1,571**	**2,356**	**–**	**15**	**3,942**
Mr. Chen Yuanlai	**–**	**1,277**	**1,490**	**773**	**15**	**3,555**
Mr. Cheng Hiu Lok	**–**	**1,277**	**1,490**	**773**	**15**	**3,555**
Mr. Huang Youquan	**–**	**1,315**	**1,277**	**1,751**	**39**	**4,382**
Mr. Wong Lun*	**–**	**1,216**	**1,216**	**–**	**15**	**2,447**
	–	**6,656**	**7,829**	**3,297**	**99**	**17,881**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017						
Executive directors:						
Mr. Wong	–	1,613	2,419	–	16	4,048
Mr. Chen Yuanlai	–	1,311	1,530	–	16	2,857
Mr. Cheng Hiu Lok	–	1,311	1,530	–	16	2,857
Mr. Huang Youquan	–	1,310	1,311	6,635	36	9,292
Mr. Wong Lun*	–	1,041	1,249	–	13	2,303
	–	6,586	8,039	6,635	97	21,357

* Mr. Wong Lun was appointed as an executive director of the Company with effect from 1 March 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2017: five) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2017: Nil) non-director, highest paid individual for the year are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	4,816	–
Discretionary performance related bonuses	1,800	–
Equity-settled share option expense	5,077	–
Pension scheme contributions	143	–
	11,836	–

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018
HK$4,000,001 to HK$4,500,000	1
HK$4,500,001 to HK$5,000,000	2
	3

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2018 RMB'000	2017 RMB'000
Current charge for the year:		
PRC corporate income tax ("CIT")	1,294,115	1,232,289
PRC land appreciation tax ("LAT")	981,564	645,488
Under/(over)-provision in prior years, net:		
Mainland China	61,056	(3,967)
	2,336,735	1,873,810
Deferred (note 34)	38,898	138,281
Total tax charge for the year	2,375,633	2,012,091

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2018 **RMB'000**	2017 RMB'000
Profit before tax	**6,052,456**	5,460,642
At the statutory/applicable rates of different jurisdictions	**1,674,725**	1,483,303
Lower tax rates for specific cities	**(60,149)**	(66,202)
Adjustments in respect of current tax of previous periods	**61,056**	(3,967)
Profits and losses attributable to joint ventures and associates	**(133,873)**	(202,120)
Income not subject to tax	**(21,890)**	(10,898)
Expenses not deductible for tax	**192,339**	348,592
Tax effect on unrealised profits arising from transactions within the Group	**(72,748)**	(22,873)
LAT	**981,564**	645,488
Tax effect of LAT deductible for PRC CIT	**(245,391)**	(159,232)
Tax charge at the Group's effective rate	**2,375,633**	2,012,091

The share of tax charge for the year ended 31 December 2018 attributable to joint ventures amounted to RMB213,670,000 (2017: RMB203,465,000). The share of tax charge for the year ended 31 December 2018 attributable to associates amounted to RMB9,606,000 (2017: tax credit of RMB523,000). Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

12. DIVIDENDS

	2018 **RMB'000**	2017 RMB'000
Interim — HK7 cents (2017: HK6 cents) per ordinary share	**225,993**	195,429
Proposed final — HK14 cents (2017: HK13 cents) per ordinary share	**507,589**	413,984
	733,582	609,413

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 3,855,128,016 (2017: 3,553,155,068) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**3,385,284**	2,840,035

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,855,128,016**	3,553,155,068
Effect of dilution — weighted average number of ordinary shares:		
Share options	**81,613,520**	69,174,117
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,936,741,536**	3,622,329,185

14. PROPERTY AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	49,656	51,407	67,927	100,383	269,373
Accumulated depreciation	(8,428)	(36,148)	(32,928)	(86,975)	(164,479)
Net carrying value	41,228	15,259	34,999	13,408	104,894
At 1 January 2018, net of accumulated depreciation	41,228	15,259	34,999	13,408	104,894
Additions	558,982	15,394	42,260	2,550	619,186
Acquisition of subsidiaries that are not a business (note 42)	–	–	5	–	5
Depreciation	(6,908)	(6,189)	(18,024)	(1,944)	(33,065)
Disposals	(9,076)	(1,217)	(661)	(62)	(11,016)
Deemed acquisition of subsidiaries (note 41)	–	–	607	173	780
At 31 December 2018, net of accumulated depreciation	584,226	23,247	59,186	14,125	680,784
At 31 December 2018:					
Cost	597,246	65,584	106,803	104,456	874,089
Accumulated depreciation	(13,020)	(42,337)	(47,617)	(90,331)	(193,305)
Net carrying value	584,226	23,247	59,186	14,125	680,784

14. PROPERTY AND EQUIPMENT *(Continued)*

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2017					
At 1 January 2017:					
Cost	92,722	40,256	44,571	97,872	275,421
Accumulated depreciation	(18,561)	(32,383)	(30,693)	(84,754)	(166,391)
Net carrying value	74,161	7,873	13,878	13,118	109,030
At 1 January 2017, net of accumulated depreciation	74,161	7,873	13,878	13,118	109,030
Additions	3,585	11,151	28,361	8,118	51,215
Acquisition of subsidiaries that are not a business (note 42)	–	–	248	530	778
Surplus on revaluation at date of transfer to investment properties	82,872	–	–	–	82,872
Depreciation	(2,596)	(3,765)	(6,895)	(8,324)	(21,580)
Disposals	(1,002)	–	(509)	(34)	(1,545)
Deemed disposal of a subsidiary upon loss of control (note 43)	–	–	(84)	–	(84)
Transfer to investment properties (note 15)	(115,792)	–	–	–	(115,792)
At 31 December 2017, net of accumulated depreciation	41,228	15,259	34,999	13,408	104,894
At 31 December 2017:					
Cost	49,656	51,407	67,927	100,383	269,373
Accumulated depreciation	(8,428)	(36,148)	(32,928)	(86,975)	(164,479)
Net carrying value	41,228	15,259	34,999	13,408	104,894

At 31 December 2018, certain of the Group's buildings with an aggregate carrying amount of RMB19,938,000 (2017: RMB30,568,000) were pledged to banks to secure certain bank and other borrowings granted to the Group (note 46).

15. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2017	6,123,400	1,306,000	7,429,400
Additions	8,122	522,022	530,144
Disposals*	(293,842)	–	(293,842)
Transfer from properties under development	–	447,156	447,156
Transfer from completed properties held for sale	760,324	–	760,324
Transfer from property and equipment (note 14)	115,792	–	115,792
Net gain from a fair value adjustment	633,522	629,222	1,262,744
Carrying amount at 31 December 2017 and 1 January 2018	**7,347,318**	**2,904,400**	**10,251,718**
Additions	**138,714**	**642,353**	**781,067**
Disposals	**(189,505)**	**–**	**(189,505)**
Transfer from properties under development	**–**	**2,004,480**	**2,004,480**
Transfer from investment properties under construction to completed investment properties	**2,906,321**	**(2,906,321)**	**–**
Deemed acquisition of subsidiaries (note 41)	**6,340,000**	**–**	**6,340,000**
Net gain from a fair value adjustment	**976,152**	**106,388**	**1,082,540**
Carrying amount at 31 December 2018	**17,519,000**	**2,751,300**	**20,270,300**

* Investment properties with an aggregate carrying amount of RMB275,860,000 were disposed in 2017 as part of the consideration for the acquisition of the non-controlling interest.

All of the Group's investment properties are situated in Mainland China.

The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Cushman & Wakefield, independent professionally qualified valuers, at RMB20,270,300,000 (2017: RMB10,251,718,000).

At 31 December 2018, the Group's investment properties with an aggregate carrying amount of RMB16,148,278,000 (2017: RMB5,771,766,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

The Group's completed investment properties are leased to third parties and companies controlled by Mr. Wong and his family members (together with Mr. Wong, the "Wong Family") under operating leases, further summary details of which are included in note 47(a).

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

For the years ended 31 December 2018 and 31 December 2017, the fair value measurements of all investment properties of the Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used in their highest and best use.

The following table illustrates the fair value measurement of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2018	2017
	RMB'000	RMB'000
Recurring fair value measurement for:		
Office properties	**10,743,000**	3,343,992
Commercial properties	**8,852,917**	6,413,726
Car parking spaces	**674,383**	494,000
	20,270,300	10,251,718

During the year, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average) 2018	2017
Office properties	Investment method and direct comparison method (refer below)	Estimated rental value per square metre and per month (RMB)	**52 to 237**	42 to 220
		Capitalisation rate	**5% to 6%**	4% to 6%
		Price per square metre (RMB)	**8,500 to 71,600**	8,000 to 38,500
Commercial properties	Investment method and direct comparison method (refer below)	Estimated rental value per square metre and per month (RMB)	**67 to 638**	34 to 605
		Capitalisation rate	**4.5% to 6%**	4% to 6.5%
		Price per square metre (RMB)	**10,900 to 93,500**	6,500 to 96,000
Car parking spaces	Investment method and direct comparison method (refer below)	Estimated rental value per car parking space and per month (RMB)	**650 to 1,500**	650 to 1,800
		Capitalisation rate	**3.5% to 5%**	4% to 6%
		Price per car parking space (RMB)	**100,000 to 453,000**	150,000 to 350,000

The valuations of completed investment properties and investment properties under construction were based on either the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties or the direct comparison method by reference to comparable market transactions.

Significant increases (decreases) in estimated rental value per square metre or per car parking space or price per square metre in isolation would result in a significantly higher (lower) fair value of the investment properties. Significant increases (decreases) in the capitalisation rate in isolation would result in a significantly lower (higher) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square metre and the price per square metre is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

16. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**5,427,646**	7,350,320
Additions	**6,422,996**	6,626,250
Acquisition of subsidiaries that are not a business (note 42)	**1,034,767**	3,241,060
Transfer to properties under development	**(9,289,086)**	(12,557,328)
Transfer from prepayments and deposits	**1,448,979**	784,615
Recognised during the year	**(8,281)**	(17,271)
Carrying amount at 31 December	**5,037,021**	5,427,646
Current portion included in prepayments, other receivables and other assets	**(8,955)**	(13,149)
Non-current portion	**5,028,066**	5,414,497

At 31 December 2018, certain of the Group's leasehold land with an aggregate carrying amount of RMB2,400,597,000 (2017: RMB1,004,198,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

17. INTANGIBLE ASSET

Operating concession

	2018 RMB'000	2017 RMB'000
Cost at 1 January, net of accumulated amortisation	**3,489**	3,653
Amortisation provided during the year	**(170)**	(164)
At 31 December	**3,319**	3,489
At 31 December:		
Cost	**4,861**	4,861
Accumulated amortisation	**(1,542)**	(1,372)
Net carrying amount	**3,319**	3,489

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd. ("Straits Sports Centre"), a subsidiary of the Group, entered into an operating right concession agreement (the "Operating Right Agreement") with the Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, Straits Sports Centre is granted with an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specified amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

18. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**28,101,140**	21,740,001
Beyond normal operating cycle included under non-current assets	**2,730,414**	1,524,085
	30,831,554	23,264,086
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	**13,944,927**	6,972,616
After one year	**14,156,213**	14,767,385
	28,101,140	21,740,001

At 31 December 2018, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB18,029,459,000 (2017: RMB12,162,467,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

19. CONTRACT IN PROGRESS

	2018 RMB'000	2017 RMB'000
At 1 January	**340,667**	366,824
Additions	**3,882**	51,829
Transfer to properties under development	**(17,642)**	(49,195)
Disposal	**–**	(28,791)
At 31 December	**326,907**	340,667

On 18 August 2009, the Group entered into the Land Development Contract with the Nan'an Government to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Pursuant to the Land Development Contract, although the Group does not have the ownership title or land use right to such land parcels, when the land parcels are sold by the Nan'an Government through public auctions, the Group is entitled to the sales proceeds arising from such land sales.

Contract in progress represents costs incurred by the Group in connection with the construction and preparation works of the relevant land parcels under the Land Development Contract and comprises relocation and demolition work, costs of construction, materials and supplies, capitalised borrowing costs on related borrowed funds during the period of development and other costs directly attributable to the Land Development Contract.

19. CONTRACT IN PROGRESS *(Continued)*

On 22 February 2016, the Group entered into a supplemental Land Development Contract (the "Supplemental Contract") with the Nan'an Government, pursuant to which certain terms and conditions of the Land Development Contract were revised. In accordance with the Supplemental Contract, the Group continues to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Nan'an Government will pay the Group the construction and other related costs plus a margin. Such amount will be determined and paid by the Nan'an Government upon the related land parcels to be sold by the Nan'an Government through public auction.

20. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	2,872,986	3,320,807
Due from joint ventures	2,822,745	–
Due to joint ventures	(11,913)	(11,913)
	5,683,818	3,308,894

The amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. In accordance with the terms of the joint venture agreements, all joint venture partners are required to provide loan capital to the joint ventures in proportion to their shareholdings under equal terms. Repayment of any amount of the loan capital requires unanimous approval from the joint venture partners subject to the sufficiency of assets and retained profits of the joint ventures. Accordingly, the loan capital forms an integral part of the Group's equity investments in the joint ventures.

Particulars of the Group's material joint ventures are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration and business	Percentage of beneficial interest attributable to the Group	Principal activities
Shanghai Zhongjun Chuangfu Real Estate Co., Ltd. ** (上海中駿創富房地產有限公司[#])	Registered capital of RMB1,800,000,000	China	N/A[(1)]	Property development and property investment
Wuxi Meishangjun Property Development Co., Ltd.* ("Wuxi Meishangjun") (無錫市美商駿房地產發展有限公司[#])	Registered capital of RMB1,200,000,000	China	32	Property development
Cangluan (Xiamen) Real Estate Co., Ltd.* ("Xiamen Cangluan") (滄鑾 (廈門)置業有限公司[#])	Registered capital of RMB1,455,000,000	China	24	Property development
Nanjing Junyi Property Development Co., Ltd.* ("Nanjing Junyi") (南京駿益房地產開發有限公司[#])	Registered capital of RMB500,000,000	China	49	Property development

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

* Registered as limited liability companies under the PRC law

** Registered as Sino-foreign joint venture under the PRC law

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names are registered.

(1) As a result of gaining an effective control by the Group over the board of directors of Cheer Rich Investments Limited ("Cheer Rich"), which holds 70% interest in Shanghai Zhongjun Chuangfu, it became a non-wholly owned subsidiary of the Group. Further details of this transaction are set out in notes 20(b) and 41 to these financial statements.

The above investments are held indirectly by subsidiaries of the Company.

Notes:

The following tables illustrate the summarised financial information in respect of Wuxi Meishangjun, Xiamen Cangluan, Nanjing Junyi and Shanghai Zhongjun Chuangfu adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

(a) In the opinion of the directors, Nanjing Junyi is not considered as material joint venture of the Group for the year ended 31 December 2017 and thus, summarised financial information of Nanjing Junyi for the year ended 31 December 2017 is not presented in these financial statements.

Wuxi Meishangjun and Xiamen Cangluan were incorporated during the year and thus, there are no summarised financial information of Wuxi Meishangjun and Xiamen Cangluan for the year ended 31 December 2017.

SUMMARISED FINANCIAL INFORMATION IN RESPECT OF WUXI MEISHANGJUN, XIAMEN CANGLUAN AND NANJING JUNYI

		2018	
	Wuxi Meishangjun RMB'000	Xiamen Cangluan RMB'000	Nanjing Junyi RMB'000
Cash and cash equivalents	5,632	19,336	30,312
Other current assets	2,267,439	3,192,424	2,338,691
Current assets	2,273,071	3,211,760	2,369,003
Non-current assets	611	14	2,804
Other current liabilities	(1,075,621)	(1,837,194)	(1,882,240)
Current liabilities	(1,075,621)	(1,837,194)	(1,882,240)
Net assets	1,198,061	1,374,580	489,567
Reconciliation to the Group's directly held interest in the joint venture:			
Proportion of the Group's ownership	32%	24%	49%
Share of net assets	386,375	335,398	238,566
Due from joint ventures	203,976	246,270	259,280
Carrying amount of the investment	590,351	581,668	497,846
Bank interest income	32	–	47
Depreciation	–	–	(227)
Tax expense	581	–	1,771
Loss and total comprehensive loss for the year	(1,939)	(80,420)	(8,132)

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(b) SUMMARISED FINANCIAL INFORMATION IN RESPECT OF SHANGHAI ZHONGJUN CHUANGFU

	2017 RMB'000
Cash and cash equivalents	53,724
Other current assets	3,044,343
Current assets	3,098,067
Non-current assets	4,064,943
Other current liabilities	(1,839,578)
Current liabilities	(1,839,578)
Non-current financial liabilities	(1,210,477)
Non-current liabilities	(1,210,477)
Net assets	4,112,955
Reconciliation to the Group's directly held interest in the joint venture (note):	
Proportion of the Group's ownership	30%
Carrying amount of the investment	1,233,886
Revenue	206,446
Bank interest income	8,066
Depreciation	(716)
Tax expense	(94,280)
Profit and total comprehensive income for the year	1,056,694

Note: In addition to a directly held 30% interest, the Group indirectly held an additional 26% interest through a joint venture, Cheer Rich. As a result of gaining control by the Group over Cheer Rich in 2018, Shanghai Zhongjun Chuangfu now became a non-wholly owned subsidiary and was consolidated into the Group's financial statements. Accordingly, no summarised financial information in respect of Shanghai Zhongjun Chuangfu was presented for the year ended 31 December 2018.

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year, net	**537,485**	519,465
Share of the joint ventures' other comprehensive income/(loss)	**(13,837)**	46,017
Share of the joint ventures' total comprehensive income	**523,648**	565,482
Aggregate carrying amount of the Group's investments in the joint ventures	**4,013,953**	2,086,921

21. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	66,734	115,265
Due from associates	88,338	–
	155,072	115,265

The amounts due from associates are unsecured, interest-free and repayable on demand. In accordance with the terms of the shareholder agreements, all shareholders to the associate are required to provide loan capital to the associate in proportion to their shareholdings under equal terms. Repayment of any amount of the loan capital requires unanimous approval from the shareholders subject to the sufficiency of assets and retained profits of the associates. Accordingly, the loan capital forms an integral part of the Group's equity investments in the associates.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the associates' income/(loss) for the year	22,217	(6,062)
Share of the associates' other comprehensive income/(loss)	(28)	157
Share of the associates' total comprehensive income/(loss)	22,189	(5,905)
Aggregate carrying amount of the Group's investments in the associates	155,072	115,265

22. AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Unlisted equity investments, at fair value	–	229,541

During the year ended 31 December 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB52,051,000.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Capped forward cross currency swap contracts classified as:		
Current liabilities	26,739	40,364
Non-current liabilities	–	149,031
	26,739	189,395

The Group entered into various capped forward cross currency swap contracts with a bank to manage its exchange rate exposures.

These capped forward cross currency swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivatives amounting to RMB166,338,000 were credited to profit or loss during the year (2017: charge of RMB332,561,000).

24. COMPLETED PROPERTIES HELD FOR SALE

All the completed properties held for sale are stated at the lower of cost and net realisable value.

At 31 December 2018, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB304,098,000 (2017: RMB503,085,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

25. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of the sales of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	2018 **RMB'000**	2017 RMB'000
Current to 90 days	**393,387**	33,228
91 to 180 days	**287**	18,022
181 to 365 days	**9**	5,037
Over 365 days	**8,102**	1,347
	401,785	57,634

Impairment under HKFRS 9 for the year ended 31 December 2018

The financial impact of ECL for trade receivables under HKFRS 9 is insignificant for the year ended 31 December 2018.

25. TRADE RECEIVABLES *(Continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	57,632
1 to 6 months past due	2
	57,634

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of diversified customers with no recent history of default and had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments (note (a))	**5,267,019**	3,671,864
Deposits	**559,556**	642,150
Other receivables	**2,656,170**	1,516,010
Cost of obtaining contracts	**209,944**	–
	8,692,689	5,830,024
Non-current portion	**(3,836,906)**	(2,948,515)
Current portion	**4,855,783**	2,881,509

Note:

(a) The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB2,235,333,000 as at 31 December 2018 (2017: RMB1,490,982,000).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	2018 RMB'000	2017 RMB'000
Due from related parties:		
Companies controlled by the Wong Family	60,031	–
Joint ventures	3,882,612	3,324,752
Associates	66,850	143,875
	4,009,493	3,468,627
Due to related parties:		
Companies controlled by the Wong Family	1,334	552
Joint ventures	1,198,759	1,632,899
Associates	45,922	73,771
	1,246,015	1,707,222

The balances are non-trade in nature, unsecured, interest-free and are repayable on demand.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Listed equity investments, at fair value	65,053	–
Other unlisted investments, at fair value	577,387	–
	642,440	–

The above equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**19,972,815**	9,642,125
Less: Restricted cash (notes)	**(4,409,592)**	(1,471,342)
Pledged deposits (note (e))	**(47,909)**	(25,300)
Cash and cash equivalents	**15,515,314**	8,145,483

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sales proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects. As at 31 December 2018, such guarantee deposits amounted to RMB2,214,106,000 (2017: RMB848,590,000).

(b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. These guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks. As at 31 December 2018, such deposits amounted to RMB528,296,000 (2017: RMB57,422,000).

(c) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, the funds advanced by the Sports Bureau that are deposited in a designated bank account can only be used for payments of construction costs and expenditures incurred for the construction of the Facilities. As at 31 December 2018, such advance amounted to RMB6,000,000 (2017: RMB6,000,000).

(d) In addition to the restrictions as detailed in notes (a), (b) and (c) above, certain subsidiaries of the Group are also required to place certain of their bank deposit amounts as guarantee deposits for public maintenance funds, or there are restrictions as to the use of certain unutilised bank loan proceeds and proceeds from the perpetual capital instruments (note 39) deposited in the subsidiaries' bank accounts. As at 31 December 2018, the aggregate amount of such deposits amounted to RMB1,661,190,000 (2017: RMB559,330,000).

(e) The bank deposits were pledged to secure general banking facilities and bills payable granted to the Group (note 46).

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB16,880,927,000 (2017: RMB8,447,052,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

30. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**8,208,575**	3,014,497
Over 1 year	**138,558**	137,706
	8,347,133	3,152,203

The trade and bills payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

31. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Receipts in advances (note (a))	**–**	15,610,834
Contract liabilities (note (b))	**21,539,926**	–
Deposits received	**362,829**	422,682
Accruals	**391,923**	219,598
Advances from non-controlling shareholders (note (c))	**3,510,702**	1,964,534
Proceeds from securitisation arrangement (note (d))	**1,052,870**	–
Other payables (note (e))	**4,611,141**	1,918,911
	31,469,391	20,136,559

31. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES *(Continued)*

Notes:

(a) Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sales of properties, which was reclassified to contract liabilities under HKFRS 15.

(b) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Advances received from customers:		
Sales of properties	**21,539,926**	15,610,834

Contract liabilities include advances received from buyers in connection with the Group's pre-sales of properties. The net increase in contract liabilities in 2018 was mainly due to the increase in advances received from customers in relation to the sales of properties at the end of the year, offset by the decrease in advances received from customers upon recognition of revenue in the current year when the purchasers obtained the physical possession or the legal title of the relevant properties.

(c) Advances from non-controlling shareholders are unsecured, interest-free and repayable on demand.

(d) The balance represented proceeds received from a financial institution in the PRC, to which the Group has transferred the right of receipt of the remaining sale proceeds of certain properties to be delivered by the Group. Under an assignment arrangement between the Group and the financial institution, as and when the Group receives the sale proceeds from customers, the Group would remit any cash flows it collects on behalf of the financial institution.

(e) Other payables are non-interest-bearing and are expected to be settled within one year.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Contractual interest rate (%) per annum	**Maturity**	**RMB'000**	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	**2.85–8.70**	**2019**	**8,466,376**	4.35–5.94	2018	2,517,312
Bank loans — unsecured	**4.02**	**2019**	**238,347**	3.06	2018	225,897
Other loans — secured	**5.70–8.75**	**2019**	**1,832,658**	4.75–8.00	2018	1,738,000
			10,537,381			4,481,209
Non-current						
Bank loans — secured	**4.52–7.84**	**2020-2033**	**6,819,304**	4.35–5.94	2019–2027	4,076,546
Other loans — secured	**6.43–8.75**	**2020-2021**	**2,775,316**	5.70–8.75	2019–2020	4,073,700
			9,594,620			8,150,246
			20,132,001			12,631,455

32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**8,704,723**	2,743,209
In the second year	**2,327,463**	3,151,071
In the third to fifth years, inclusive	**4,233,089**	846,755
Beyond fifth years	**258,752**	78,720
	15,524,027	6,819,755
Other borrowings repayable:		
Within one year	**1,832,658**	1,738,000
In the second year	**650,000**	3,363,700
In the third to fifth years, inclusive	**2,125,316**	710,000
	4,607,974	5,811,700
	20,132,001	12,631,455

Notes:

(a) Certain of the Group's bank and other borrowings are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 46 to the financial statements.

(b) As at 31 December 2018, certain of the Group's bank and other borrowings with an aggregate amount of RMB7,668,159,000 (2017: RMB3,790,998,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group, details of which are set out in note 1 to the financial statements.

(c) Except for certain bank and other borrowings of RMB2,737,042,000 (2017: Nil) and RMB2,334,776,000 (2017: RMB2,527,195,000) as at 31 December 2018 which were denominated in HK$ and United States dollars ("US$"), respectively, all of the Group's bank and other borrowings were denominated in RMB.

(d) At the end of the reporting period, except for certain bank and other borrowings of RMB5,915,320,000 (2017: RMB5,195,760,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.

(e) As at 31 December 2018, the Group's bank and other borrowings of RMB4,833,471,000 (2017: RMB2,301,298,000) were secured by a specific performance obligation imposed on the Wong Family and pursuant to which (i) the Wong Family must remain the single largest shareholder in the Company; (ii) the Wong Family must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control the Company; and (iii) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company.

33. SENIOR NOTES AND DOMESTIC BONDS

	2018				2017			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2015 Senior Notes	US$350	10.00	2020	2,363,010	US$350	10.00	2020	2,229,024
2017 Senior Notes	US$500	5.875	2022	3,370,234	US$500	5.875	2022	3,185,409
2018 Senior Notes	US$600	7.45	2021	4,043,674	–	–	–	–
Domestic Bonds	RMB3,444	7.6	2020	3,428,726	RMB3,500	5.18–5.30	2020	3,477,192
				13,205,644				8,891,625
Non-current portion				(13,205,644)				(5,414,433)
Current portion				–				3,477,192

(a) Senior Notes

The Company, at its option, can redeem all or a portion of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreements between the Company and the trustees of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes.

The 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company (note 1).

In March and April 2017, the Group issued senior notes at coupon rate of 5.875% due 2022 with aggregate principal amounts of US$500,000,000. The Group raised net proceeds of US$492,272,000 (after deduction of underwriting discount and commissions and other expenses).

In April 2018, the Group issued senior notes at coupon rate of 7.45% due 2021 with aggregate principal amounts of US$600,000,000. The Group raised net proceeds of US$592,238,000 (after deduction of underwriting discount and commissions and other expenses).

The fair values of the early redemption options of the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes were not significant and were therefore not recognised by the Group on inception and at 31 December 2018.

33. SENIOR NOTES AND DOMESTIC BONDS *(Continued)*

(b) Domestic Bonds

At the end of the third year subsequent to the inception date in October 2015 and December 2015, Xiamen Zhongjun as the issuer is entitled to adjust the interest rate, and the holders of Domestic Bonds may at their options to sell back the bonds to Xiamen Zhongjun in whole or in part at their principal amounts. In light of the above terms being effective for the year ended 31 December 2018, the Domestic Bonds were classified as current liabilities as at 31 December 2017. In October and December 2018, certain holders of the Domestic Bonds registered to sell back a total of 557,420 bonds at a price of RMB100 each for RMB55,742,000, which were fully repaid by the Group.

At 31 December 2018, the fair values for the 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the Domestic Bonds amounted to RMB2,468,548,000 (2017: RMB2,436,761,000), RMB3,079,235,000 (2017: RMB3,139,485,000), RMB4,025,368,000 (2017: Nil) and RMB3,472,850,000 (2017: RMB3,463,250,000), respectively.

The fair values of the 2015 Senior Notes, the 2017 Senior Notes, 2018 Senior Notes and the Domestic Bonds are based on price quotations from financial institution at the reporting date.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000
At 1 January 2017	1,004,361
Charged to profit or loss during the year	282,245
At 31 December 2017 and 1 January 2018	1,286,606
Charged to profit or loss during the year	189,567
Deemed acquisition of subsidiaries (note 41)	828,657
At 31 December 2018	2,304,830

34. DEFERRED TAX *(Continued)*

Deferred tax assets

	Unrealised profits arising from intra-group transactions RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2017	22,210	83,059	153,216	258,485
Acquisition of subsidiaries that are not a business (note 42)	–	–	8,081	8,081
Deemed disposal of a subsidiary upon loss of control (note 43)	–	–	(5,400)	(5,400)
Credited to profit or loss during the year	6,835	86,091	51,038	143,964
At 31 December 2017	29,045	169,150	206,935	405,130
Effect of adoption of HKFRS 15	–	–	(17,076)	(17,076)
At 31 January 2018 (restated)	29,045	169,150	189,859	388,054
Deemed acquisition of subsidiaries (note 41)	–	–	48,438	48,438
Credited to profit or loss during the year	18,111	123,792	8,766	150,669
At 31 December 2018	47,156	292,942	247,063	587,161

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**561,628**	344,923
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,279,297**	1,226,399

34. DEFERRED TAX *(Continued)*

At 31 December 2018, the Group has tax losses arising in Mainland China of RMB1,007,299,000 (2017: RMB846,787,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of certain of these losses of RMB19,048,000 (2017: RMB19,048,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB9,761,569,000 at 31 December 2018 (2017: RMB8,086,811,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. PROVISION FOR MAJOR OVERHAULS

As detailed in note 17 to these financial statements, the Group has contractual obligations to fulfil as a condition of the Operating Concession under the Operating Right Agreement. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

35. PROVISION FOR MAJOR OVERHAULS *(Continued)*

The movements in the provision for major overhauls of the Facilities for the year are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**38,568**	32,564
Additional provisions	**5,228**	5,003
Increase in a discounted amount arising from the passage of time (note 7)	**2,044**	1,741
Amount utilised during the year	**(428)**	(740)
At 31 December	**45,412**	38,568

36. SHARE CAPITAL

Shares

	2018 HK$	2017 HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
4,087,583,380 (2017: 3,823,840,000) ordinary shares of HK$0.10 each	**408,758,338**	382,384,000
Equivalent to RMB'000	**353,077**	329,804

36. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of movement in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$
At 1 January 2017	3,423,840,000	342,384,000
Issue of shares (note (a))	400,000,000	40,000,000
At 31 December 2017 and 1 January 2018	3,823,840,000	382,384,000
Share options exercised (note (b))	245,450,000	24,545,000
Issue of shares for scrip dividend (note (c))	18,293,380	1,829,338
At 31 December 2018	4,087,583,380	408,758,338

Notes:

(a) During the year ended 31 December 2017, 400,000,000 shares of the Company were placed to certain investors at subscription price of HK$3.64 per share (the "Placing"). The net proceeds from the Placing were approximately HK$1,436,142,000 (equivalent to RMB1,223,306,000).

(b) Subscription rights attaching to 245,450,000 share options were exercised at the subscription price of HK$2.4 per share (note 37), resulting in the issue of 245,450,000 shares for a total cash consideration, before expenses, of approximately HK$589,080,000. An amount of approximately RMB60,014,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(c) During the year ended 31 December 2018, 18,293,380 ordinary shares of HK$0.10 each in the Company were issued at HK$3.10 per shares as scrip dividend.

Share options

Details of the Company's share option scheme are included in note 37 to the consolidated financial statements.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "2010 Scheme") which was adopted at the special general meeting held on 6 January 2010. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 284,000,000 shares is available for issue under the Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commenced trading on the Hong Kong Stock Exchange. Pursuant to an ordinary resolution passed on 23 April 2018, the shareholders of the Company approved the adoption of a new share option scheme (the "2018 Scheme") (together with 2010 Scheme, collectively, the "Schemes"). Employees (including directors) of the Group are included in the eligible participants under the 2018 Scheme. A total of 382,384,000 shares is available for issue under the 2018 Scheme, which represented 10% of the aggregate of the shares in issue on 23 April 2018, the date of the ordinary resolution passed. Each participant is entitled to no more than 1% of the total number of shares in issue in any 12-month period. The options shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The 2010 Scheme and the 2018 Scheme remain in force until 5 January 2020 and 22 April 2028, respectively.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of shares of the Company in issue. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to directors, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share option is determinable by the directors, but should not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

37. SHARE OPTION SCHEME *(Continued)*

2010 Scheme

The following share options were outstanding under the 2010 Scheme during the year:

	2018		2017	
	Exercise price HK$	Number of options '000	Exercise price HK$	Number of options '000
At beginning of year	2.4	284,000	2.4	284,000
Exercised during the year	2.4	(245,450)	–	–
At end of year	2.4	38,550	2.4	284,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options '000	Exercise price HK$	Exercise period
–	2.4	23 June 2017 to 5 January 2020
38,550	2.4	23 December 2018 to 5 January 2020
38,550		

2017

Number of options '000	Exercise price HK$	Exercise period
214,000	2.4	23 June 2017 to 5 January 2020
70,000	2.4	23 December 2018 to 5 January 2020
284,000		

37. SHARE OPTION SCHEME *(Continued)*

2010 Scheme *(Continued)*

The fair value of the share options granted in 2016 was HK$78,448,000 (equivalent to RMB70,281,000) (ranged from HK$0.275 to HK$0.276 each), of which the Group recognised a share option expense of RMB10,374,000 (2017: RMB53,965,000) during the year ended 31 December 2018.

The fair value of equity-settled share options granted under 2010 Scheme during the prior year was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2016
Dividend yield (%)	4.33
Expected volatility (%)	25.59
Risk-free interest rate (%)	2.1
Exit rates of the grantees of the options granted under the 2010 Scheme (%)	0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

2018 Scheme

The following share options were outstanding under the 2018 Scheme during the year:

	2018		2017	
	Exercise price HK$	**Number of options '000**	Exercise price HK$	Number of options '000
At beginning of year	**–**	**–**	–	–
Granted during the year	**2.78**	**382,000**	–	–
At end of year	**2.78**	**382,000**	–	–

37. SHARE OPTION SCHEME *(Continued)*

2018 Scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options '000	Exercise price HK$	Exercise period
191,000	2.78	1 July 2019 to 11 December 2028
191,000	2.78	1 July 2020 to 11 December 2028
382,000		

The fair value of the share options granted in 2018 was HK$137,017,000 (equivalent to RMB120,397,000) (ranged from HK$0.33 to HK$0.38 each), of which the Group recognised a share option expense of RMB7,163,000 during the year ended 31 December 2018.

The fair value of equity-settled share options granted under 2018 Scheme during the year was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2018
Dividend yield (%)	7.19
Expected volatility (%)	28.63
Risk-free interest rate (%)	2.7
Exit rates of the grantees of the options granted under the 2018 Scheme (%)	0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 420,550,000 (2017: 284,000,000) share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 420,550,000 additional ordinary shares of the Company and additional share capital of HK$42,055,000 (equivalent to RMB36,954,000) and share premium of HK$1,112,425,000 (equivalent to RMB977,488,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 382,000,000 share options outstanding under the Schemes, which represented approximately 9.26% of the Company's shares in issue as at that date.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 73 and 74 of the financial statements.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(c) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

For the entities concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

The merger reserve represents the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the group reorganisation completed in December 2007.

(e) Share option reserve

Share option reserve represents the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

39. PERPETUAL CAPITAL INSTRUMENTS

	RMB'000
Carrying amount at 1 January 2017	900,000
Redemption of perpetual capital instruments	(200,000)
Carrying amount at 31 December 2017, 1 January 2018 and 31 December 2018	700,000

The perpetual capital instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledge of the shares of the subsidiaries. There are no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual capital instruments.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
West-Coast Investment	**42%**	42%
Nanjing Junyuan	**50%**	–

	2018 **RMB'000**	2017 RMB'000
Profit/(loss) for the year attributable to non-controlling interests:		
West-Coast Investment	**(9,801)**	91,849
Nanjing Junyuan	**(303)**	–
Accumulated balances of non-controlling interests at the reporting dates:		
West-Coast Investment	**1,046,654**	1,056,455
Nanjing Junyuan	**980,481**	–

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of West-Coast Investment and Nanjing Junyuan. The amounts disclosed are before any inter-company eliminations:

2018	**West-Coast Investment RMB'000**	**Nanjing Junyuan RMB'000**
Revenue	196,682	–
Other income	8,580	22
Total expenses	(228,598)	(627)
Loss for the year	(23,336)	(605)
Total comprehensive loss for the year	(23,336)	(605)
Current assets	310,844	508,727
Non-current assets	2,897,920	1,453,175
Current liabilities	(178,607)	(2,508)
Non-current liabilities	(538,123)	–
Net cash flows from/(used in) operating activities	72,437	(1,687,814)
Net cash flows from/(used in) investing activities	38,245	(5)
Net cash flows from/(used in) financing activities	(173,141)	1,689,227
Net increase/(decrease) in cash and cash equivalents	(62,459)	1,408

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

2017	West-Coast Investment RMB'000
Revenue	205,358
Other income	270,786
Total expenses	(257,457)
Profit for the year	218,687
Total comprehensive income for the year	218,687
Current assets	703,862
Non-current assets	3,054,654
Current liabilities	(686,686)
Non-current liabilities	(556,461)
Net cash flows from operating activities	148,122
Net cash flows used in investing activities	(156,443)
Net cash flows from financing activities	26,690
Net increase in cash and cash equivalents	18,369

41. BUSINESS COMBINATION

Deemed Acquisition of Subsidiaries

On 13 June 2018, the Group reached a resolution (the "Resolution") with the joint venture partner of Cheer Rich, pursuant to which the Group is entitled to appoint three of the five directors in the board of directors of Cheer Rich. Cheer Rich was previously a 44.5%-owned joint venture, and as a result of the Resolution, the Group obtained control of Cheer Rich. Cheer Rich and its subsidiaries (the "Cheer Rich Group") are principally engaged in the business of property development and property investment in Shanghai.

41. BUSINESS COMBINATION *(Continued)*

Deemed Acquisition of Subsidiaries *(Continued)*

The fair values of the identifiable assets and liabilities of the acquisition of subsidiaries as at the date of acquisition were as follows:

	Notes	Cheer Rich Group RMB'000	Others RMB'000	Total RMB'000
Property and equipment	14	534	246	780
Investment properties	15	6,340,000	–	6,340,000
Properties under development		–	644,000	644,000
Completed properties held for sale		73,600	–	73,600
Trade receivables		53,384	–	53,384
Prepaid income tax		–	15,234	15,234
Restricted cash		24,815	113,201	138,016
Cash and cash equivalents		16,999	76,461	93,460
Other current assets		2,196,685	247,121	2,443,806
Trade and bills payables		(941,646)	(24,079)	(965,725)
Contract liabilities		(44,541)	(677,572)	(722,113)
Tax payable		(129,347)	–	(129,347)
Other current liabilities		(2,481,677)	(237,263)	(2,718,940)
Interest-bearing bank and other borrowings		(544,000)	–	(544,000)
Deferred tax liabilities	34	(779,714)	(505)	(780,219)
Non-controlling interests		(1,244,621)	(94,107)	(1,338,728)
Total identifiable net assets at fair value		2,540,471	62,737	2,603,208
Reclassification of investments in joint venture and associate		(2,537,289)	(92,902)	(2,630,191)
Gain/(loss) on deemed acquisition of subsidiaries		3,182	(30,165)	(26,983)

41. BUSINESS COMBINATION *(Continued)*

Deemed Acquisition of Subsidiaries *(Continued)*

An analysis of the cash flows in respect of the acquisitions is as follows:

	RMB'000
Cash and cash equivalents acquired	**93,460**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**93,460**

Since the acquisition, Cheer Rich Group contributed RMB61,247,000 to the Group's revenue and RMB277,929,000 to the Group's profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB18,090,689,000 and RMB4,183,679,000, respectively.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

Year ended 31 December 2018

On 24 July 2018, the Group entered into an equity transfer agreement with an independent third party for the acquisition of a 70% equity interest in Songming Zhongji at a consideration of RMB640,866,000. The acquisition was completed on 24 July 2018 and Songming Zhongji became a non-wholly-owned subsidiary of the Group.

On 10 August 2018, the Group entered into an equity transfer agreement with nine independent third parties for the acquisition of a 80% equity interest in Quanzhou Xinzhongrui Real Estate Development Co., Ltd. ("Quanzhou Xinzhongrui") at a consideration of RMB130,760,000. The acquisition was completed on 10 August 2018 and Quanzhou Xinzhongrui became a non-wholly-owned subsidiary of the Group.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2018 *(Continued)*

Save as disclosed above, the Group also acquired certain property development companies at a total consideration of RMB130,742,000 during the year.

The net assets acquired by the Group in the above transactions are as follows:

	Notes	Songming Zhongji RMB'000	Quanzhou Xinzhongrui RMB'000	Others RMB'000	Total RMB'000
Net asset acquired					
Property and equipment	14	5	–	–	5
Properties under development		868	–	96	964
Prepaid land lease payments	16	647,075	163,450	224,242	1,034,767
Prepayments, other receivables and other assets		29,714	–	12,956	42,670
Cash and cash equivalents		8,147	–	533	8,680
Other payables and accruals		(67)	(113,450)	(163,665)	(277,182)
Non-controlling interests		(44,876)	(10,000)	(28,593)	(83,469)
		640,866	40,000	45,569	726,435
Satisfied by:					
Cash		640,866	130,760	130,742	902,368
Shareholders' loans		–	(90,760)	(85,173)	(175,933)
		640,866	40,000	45,569	726,435

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2018 *(Continued)*

An analysis of the cash flows in respect of the acquisitions is as follows:

	RMB'000
Cash consideration	**(726,435)**
Cash and cash equivalents acquired	**8,680**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(717,755)**

Prior to completion of the respective acquisitions, these subsidiaries had not carried on any significant business activities except for mainly holding of land. These acquisitions were accounted for by the Group as acquisition of assets, as the operations of these subsidiaries do not constitute a business.

Year ended 31 December 2017

On 1 May 2017, the Group entered into an equity transfer agreement with four independent third parties for the acquisition of the entire equity interest in Jiangsu Lianqiang Property Co., Ltd. ("Jiangsu Lianqiang") at a consideration of RMB478,746,000. The acquisition was completed on 1 May 2017 and Jiangsu Lianqiang became a wholly-owned subsidiary of the Group.

On 3 May 2017, the Group entered into an equity transfer agreement with three independent third parties for the acquisition of the entire equity interest in Huizhou Chengjing Industrial Co., Ltd. ("Huizhou Chengjing") at a consideration of RMB391,781,000. The acquisition was completed on 3 May 2017 and Huizhou Chengjing became a wholly-owned subsidiary of the Group.

On 13 October 2017, the Group entered into an equity transfer agreement with an independent third party for the acquisition of the entire equity interest in Qingdao Zhong Yutai at a consideration of RMB1,030,708,000. The acquisition was completed on 13 October 2017 and Qingdao Zhong Yutai became a wholly-owned subsidiary of the Group.

On 23 October 2017 and 1 November 2017, the Group entered into two equity transfer agreements with two independent third parties for the acquisition of 73.67% and 26.33% equity interest in Huizhou Shahui Industrial Co., Ltd. ("Huizhou Shahui") at a consideration of RMB316,000,000 and RMB104,000,000, respectively. The acquisition was completed on 23 October 2017 and 1 November 2017 and Huizhou Shahui became a wholly-owned subsidiary of the Group.

Save as disclosed above, the Group also acquired certain property development companies at a total consideration of RMB922,347,000 during the year.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2017 *(Continued)*

The net assets acquired by the Group in the above transactions are as follows:

	Notes	Jiangsu Lianqiang RMB'000	Huizhou Chengjing RMB'000	Qingdao Zhong Yutai RMB'000	Huizhou Shahui RMB'000	Others RMB'000	Total RMB'000
Net asset acquired							
Property and equipment	14	–	5	–	–	773	778
Deferred tax assets	34	257	1,904	87	–	5,833	8,081
Properties under development		2,485	38,718	–	50,000	137,204	228,407
Prepaid land lease payments	16	475,964	345,889	1,032,215	370,000	1,016,992	3,241,060
Prepayments, other receivables and other assets		3	3,916	–	–	170,775	174,694
Cash and cash equivalents		37	1,349	227	332	122,994	124,939
Trade and bills payables		–	–	–	–	(218,940)	(218,940)
Other payables and accruals		(17,668)	–	(220,439)	(24,725)	(831,637)	(1,094,469)
Non-controlling interests		–	–	–	–	(81,572)	(81,572)
		461,078	391,781	812,090	395,607	322,422	2,382,978
Satisfied by:							
Cash		478,746	391,781	1,030,708	420,000	922,347	3,243,582
Shareholders' loans		(17,668)	–	(218,618)	(24,393)	(599,925)	(860,604)
		461,078	391,781	812,090	395,607	322,422	2,382,978

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2017 *(Continued)*

An analysis of the cash flows in respect of the acquisitions is as follows:

	RMB'000
Cash consideration	(2,382,978)
Cash and cash equivalents acquired	124,939
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,258,039)

Prior to completion of the respective acquisitions, these subsidiaries had not carried on any significant business activities except for mainly holding of land. These acquisitions were accounted for by the Group as acquisition of assets, as the operations of these subsidiaries do not constitute a business.

43. DEEMED DISPOSAL OF A SUBSIDIARY UPON LOSS OF CONTROL

Year ended 31 December 2017

	Notes	RMB'000
Net assets disposed of:		
Property and equipment	14	84
Deferred tax assets	34	5,400
Properties under development		1,926,542
Prepayments, other receivables and other assets		68,961
Prepaid income tax		41,188
Cash and cash equivalents		105,619
Trade and bills payables		(14,452)
Other payables and accruals		(849,083)
Interest-bearing bank and other borrowings		(1,240,000)
		44,259
Gain on deemed disposal of a subsidiary upon loss of control	6	20,903
Reclassification to investment in joint ventures		65,162

43. DEEMED DISPOSAL OF A SUBSIDIARY UPON LOSS OF CONTROL *(Continued)*

Year ended 31 December 2017 *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary upon loss of control is as follows:

	RMB'000
Cash and cash equivalents deconsolidated and net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary upon loss of control	(105,619)

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had deemed acquisitions of subsidiaries with a total identifiable net assets fair value of RMB2,603,208,000 (2017: Nil). Further details are set out in note 41 to these financial statements.

(b) Changes in liabilities arising from financing activities

	Notes	**Interest-bearing bank and other borrowings RMB'000**	**Senior notes and domestic bonds RMB'000**
At 1 January 2017		12,420,396	5,857,969
Changes from financing cash flows		1,652,089	3,383,236
Foreign exchange movement		(201,030)	(374,916)
Interest expense		–	25,336
Deemed disposal of a subsidiary upon loss of control	43	(1,240,000)	–
At 31 December 2017 and 1 January 2018		**12,631,455**	**8,891,625**
Changes from financing cash flows		**6,694,573**	**3,704,469**
Foreign exchange movement		**233,179**	**572,517**
Interest expense		**28,794**	**37,033**
Deemed acquisition of subsidiaries	41	**544,000**	**–**
At 31 December 2018		**20,132,001**	**13,205,644**

45. FINANCIAL GUARANTEES

The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.

(a) At the end of the reporting period, the Group had financial guarantees which are not provided for in the financial statements as follows:

	2018 **RMB'000**	2017 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	**15,912,024**	14,947,867

Notes:

(i) As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	2018 **RMB'000**	2017 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	**1,097,021**	793,633

45. FINANCIAL GUARANTEES *(Continued)*

(b) At the end of the reporting period, financial guarantee given to banks in connection with loan facilities granted to joint ventures are not provided for in the financial statements is as follows:

	2018	2017
	RMB'000	RMB'000
Guarantees given to banks in connection with loan facilities granted to joint ventures	**2,414,790**	2,800,000

As at 31 December 2017, the loan facilities guaranteed by the Group to a joint venture were utilised to the extent of RMB1,934,000,000.

In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant.

46. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure certain bank and other borrowings granted to the Group:

		2018	2017
	Notes	**RMB'000**	RMB'000
Bank deposits	29	**47,909**	25,300
Property and equipment	14	**19,938**	30,568
Investment properties	15	**16,148,278**	5,771,766
Prepaid land lease payments	16	**2,400,597**	1,004,198
Properties under development	18	**18,029,459**	12,162,467
Completed properties held for sale	24	**304,098**	503,085
		36,950,279	19,497,384

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	31,424	25,305
In the second to fifth years, inclusive	1,115	891
After five years	362	–
	32,901	26,196

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	35,818	15,378
In the second to fifth years, inclusive	26,781	13,904
	62,599	29,282

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	**15,245,582**	9,686,960

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures' properties under development and construction of investment properties in Mainland China	**2,803,668**	185,843

49. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in note 27 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2018 RMB'000	2017 RMB'000
Property rental income from companies controlled by the Wong Family	(i)	**8,393**	7,624
Property management fees from companies controlled by the Wong Family	(ii)	**3,803**	4,157
Project management income received from joint ventures	(iii)	**90,546**	51,921
Aircraft leasing expense paid to a company controlled by Mr. Wong	(iv)	**3,926**	4,032
Sales agency fees paid to an associate	(v)	**–**	1,689
Purchase of a property from a joint venture	(vi)	**543,418**	–

49. RELATED PARTY TRANSACTIONS

(a) *(Continued)*

Notes:

(i) The property rental income were charged at rates ranging from RMB5 to RMB264 (2017: from RMB13 to RMB210) per square metre.

(ii) The property management fees were charged at rates ranging from RMB13 to RMB61 (2017: from RMB6 to RMB57) per square metre.

(iii) The project management income were charged with reference to the contracted sales amount and certain costs incurred in respect of property development projects.

(iv) The leasing expense was charged at US$50,000 (2017: US$50,000) per month.

(v) The sales agency fees were charged at rates ranging from 0.7% to 0.9% of the selling price of the relevant properties.

(vi) The purchase price of the property was agreed between the Group and the joint venture by negotiation.

(b) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the financial statements.

Transactions of items (a)(i), (a)(ii) and (a)(iv) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

50. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the derivative financial instruments, financial assets at fair value through profit or loss and available-for-sale investments, which are measured at fair value, other financial assets and liabilities of the Group as at 31 December 2018 and 2017 were financial assets and financial liabilities stated at amortised cost, respectively.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than derivative financial instruments, available-for-sale investments, financial assets at fair value through profit or loss and senior notes and domestic bonds, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, current portion of interest-bearing bank and other borrowings, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

Derivative financial instruments, the capped forward cross currency swap contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of capped forward cross currency swap contracts are the same as their fair values.

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments as at 31 December 2018 are based on price quotation from the respective fund manager or estimates based on enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple for similar companies adjusted to reflect the specific circumstances of the investments. The valuation technique is changed from dividend discount model to valuation multiple in the current year as, in the opinion of the directors, its application results in a measurement that is more representative of fair value of the unlisted equity investments since no dividend is received from those unlisted equity investments in the current year.

The fair values of the unlisted available-for-sale equity investments as at 31 December 2017 were estimated by using prices from recent transaction without adjustment and dividend discount model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the investment.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Below is a summary of significant unobservable inputs to the valuation of available-for-sale investments together with a quantitative sensitivity analysis as at 31 December 2018 and 2017:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
As at 31 December 2018				
Unlisted equity investments at fair value through profit or loss	Valuation multiples	Average EV/EBITDA multiple of peers rate	11.92	5% increase/(decrease) in multiple would have no material impact on the fair value
		Discount for lack of marketability	25%	5% increase/(decrease) in discount would have no material impact on the fair value
As at 31 December 2017				
Unlisted available-for-sale equity investments	Dividend discount model	Sustainable dividend growth rate	11%	1% increase/(decrease) in sustainable dividend growth rate would have no material impact on the fair value
		Discount rate	16%	1% increase/(decrease) in discount rate would have no material impact on the fair value

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	65,053	–	577,387	642,440

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	–	229,541	229,541

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	**26,739**	–	**26,739**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	189,395	–	189,395

During the year, there was no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (2017: Nil).

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, senior notes and domestic bonds, amounts due from/to related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group also entered into derivative transactions such as capped forward cross currency swap contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The Group's accounting policies related to derivatives are set out in note 3 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same savings rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2018		
RMB	150	(140,748)
HK$	150	(41,056)
US$	150	(31,446)
RMB	(150)	140,748
HK$	(150)	41,056
US$	(150)	31,446

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2017		
RMB	150	(73,628)
HK$	150	–
US$	150	(37,908)
RMB	(150)	73,628
HK$	(150)	–
US$	(150)	37,908

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

All the revenue-generating operations of the Group are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong, in which bank and other borrowings and senior notes were denominated either in HK$ or US$. The fluctuation of exchange rate of RMB against other foreign currencies will not have material adverse effect on the operating results of the Group.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against HK$, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2018		
If HK$ weakens against RMB	**3%**	**14,500**
If HK$ strengthens against RMB	**(3%)**	**(14,500)**

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2017		
If HK$ weakens against RMB	3%	(36,949)
If HK$ strengthens against RMB	(3%)	36,949

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 45(a).

The credit risk of the Group's trade receivables and other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Financial assets measured at amortised cost are all classified under stage 1 for measurement of ECLs except for trade receivables which apply simplified approach in calculating ECLs. The loss allowance provision for restricted cash, pledged deposits, cash and cash equivalents, trade receivables and financial assets included in prepayment, other receivables and other assets were not significant as at 31 December 2018.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operation needs and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2018				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	11,591,819	3,490,463	6,675,911	347,438	22,105,631
Senior notes and domestic bonds	742,158	6,666,584	7,931,422	–	15,340,164
Trade and bills payables	8,208,575	120,770	17,788	–	8,347,133
Financial liabilities included in other payables and accruals	9,929,465	–	–	–	9,929,465
Due to related parties	1,246,015	–	–	–	1,246,015
	31,718,032	10,277,817	14,625,121	347,438	56,968,408
Financial guarantees issued: Maximum amount guaranteed	18,326,814	–	–	–	18,326,814

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	2017				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	5,237,046	6,779,273	1,633,676	97,545	13,747,540
Senior notes and domestic bonds	4,070,579	414,887	6,061,252	–	10,546,718
Trade and bills payables	3,014,497	114,361	23,345	–	3,152,203
Financial liabilities included in other payables and accruals	4,525,725	–	–	–	4,525,725
Due to related parties	1,707,222	–	–	–	1,707,222
	18,555,069	7,308,521	7,718,273	97,545	33,679,408
Financial guarantees issued: Maximum amount guaranteed	17,747,867	–	–	–	17,747,867

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt includes total interest-bearing bank and other borrowings, senior notes and domestic bonds (as shown in the consolidated statement of financial position) less cash and bank balances (including restricted cash, time deposits and pledged deposits). Capital comprises all components of equity (i.e., share capital, non-controlling interests, perpetual capital instruments and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The net gearing ratios as at 31 December 2018 and 31 December 2017 were as follows:

	Notes	**2018 RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	32	**20,132,001**	12,631,455
Senior notes and domestic bonds	33	**13,205,644**	8,891,625
Less: Cash and bank balances	29	**(19,972,815)**	(9,642,125)
Net debt		**13,364,830**	11,880,955
Total equity		**22,139,407**	16,557,870
Net gearing ratio		**60%**	72%

53. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2019, the Group issued senior notes at a coupon rate of 8.75% due 2021 with aggregate principal amount of US$500,000,000. Details of the senior notes are set out in the Company's announcement dated 8 January 2019.

(b) On 7 December 2018, the Group entered into an equity transfer agreement with an independent third party for acquisition of the 51% in Hong Hui Development Co., Ltd. and its subsidiaries ("Hong Hui Group") at a cash consideration of RMB628,729,000. Hong Hui Group is principally engaged in the business of property development and property investment in Kunshan.

The transaction was completed in January 2019. The Group is in the process of making assessment on the purchase price allocation of the above transaction. Details of the above transaction are set out in the Company's announcement dated on 12 December 2018.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	–	–
Due from subsidiaries	2,407,213	2,281,469
Total non-current assets	2,407,213	2,281,469
CURRENT ASSETS		
Prepayments	976	428
Due from subsidiaries	9,299,552	6,319,428
Cash and cash equivalents	795,612	991,519
Total current assets	10,096,140	7,311,375
CURRENT LIABILITIES		
Other payables and accruals	125,013	70,956
Derivative financial instruments	26,739	40,364
Due to subsidiaries	–	2,497,463
Interest-bearing bank and other borrowings	2,491,593	1,162,149
Total current liabilities	2,643,345	3,770,932
NET CURRENT ASSETS	7,452,795	3,540,443
TOTAL ASSETS LESS CURRENT LIABILITIES	9,860,008	5,821,912
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,797,225	1,914,045
Derivative financial instruments	–	149,031
Senior notes	9,776,918	5,414,433
Total non-current liabilities	12,574,143	7,477,509
Net liabilities	(2,714,135)	(1,655,597)
EQUITY		
Issued capital	353,077	329,804
Reserves (note)	(3,067,212)	(1,985,401)
Total equity	(2,714,135)	(1,655,597)

Wong Chiu Yeung
Director

Huang Youquan
Director

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017		1,195,848	(279,693)	2,833	(2,527,116)	(1,608,128)
Total comprehensive income/(loss) for the year		–	145,923	–	(1,141,527)	(995,604)
Issue of shares		1,189,234	–	–	–	1,189,234
2016 final dividend		(429,439)	–	–	–	(429,439)
2017 interim dividend	12	(195,429)	–	–	–	(195,429)
Equity-settled share option arrangements	37	–	–	53,965	–	53,965
At 31 December 2017 and 1 January 2018		1,760,214	(133,770)	56,798	(3,668,643)	(1,985,401)
Total comprehensive loss for the year		–	(187,374)	–	(818,083)	(1,005,457)
Share options exercised		559,765	–	(60,014)	–	499,751
Issue of shares for scrip dividend		46,335	–	–	–	46,335
2017 final dividend	12	(413,984)	–	–	–	(413,984)
2018 interim dividend	12	(225,993)	–	–	–	(225,993)
Equity-settled share option arrangements	37	–	–	17,537	–	17,537
At 31 December 2018		1,726,337	(321,144)	14,321	(4,486,726)	(3,067,212)

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities, perpetual capital instruments and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out as below:

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**17,782,886**	16,105,245	12,480,683	10,690,080	6,887,392
Cost of sales	**(11,636,290)**	(10,620,061)	(9,354,990)	(7,679,498)	(4,485,001)
Gross profit	**6,146,596**	5,485,184	3,125,693	3,010,582	2,402,391
Other income and gains	**386,637**	122,812	341,472	80,165	96,836
Changes in fair value of investment properties, net	**1,082,540**	1,262,744	548,382	398,022	749,701
Selling and marketing expenses	**(398,421)**	(530,538)	(407,116)	(300,828)	(248,227)
Administrative expenses	**(1,298,702)**	(963,431)	(471,771)	(398,479)	(343,157)
Other expenses	**–**	(332,561)	(129,454)	(53,107)	–
Finance costs	**(401,686)**	(392,048)	(316,894)	(269,041)	(160,388)
Exchange differences arising from retranslation of senior notes, net	**–**	–	–	(27,918)	19,705
Share of profits and losses of:					
Joint ventures	**513,275**	814,542	803,593	110,080	21,444
Associates	**22,217**	(6,062)	(120)	(497)	784
PROFIT BEFORE TAX	**6,052,456**	5,460,642	3,493,785	2,548,979	2,539,089
Income tax expense	**(2,375,633)**	(2,012,091)	(1,053,334)	(980,435)	(972,048)
PROFIT FOR THE YEAR	**3,676,823**	3,448,551	2,440,451	1,568,544	1,567,041
Attributable to:					
Owners of the parent	**3,385,284**	2,840,035	2,072,284	918,660	900,580
Holders of perpetual capital instruments	**58,363**	51,975	49,967	248,756	68,202
Non-controlling interests	**233,176**	556,541	318,200	401,128	598,259
	3,676,823	3,448,551	2,440,451	1,568,544	1,567,041

ASSETS, LIABILITIES, PERPETUAL CAPITAL INSTRUMENTS AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**101,490,775**	66,175,008	50,834,872	40,276,238	34,443,072
TOTAL LIABILITIES	**(79,351,368)**	(49,617,138)	(38,763,041)	(28,677,637)	(23,429,314)
PERPETUAL CAPITAL INSTRUMENTS	**(700,000)**	(700,000)	(900,000)	(1,200,000)	(1,173,000)
NON-CONTROLLING INTERESTS	**(5,957,221)**	(3,399,744)	(2,764,014)	(3,471,171)	(3,295,670)
	15,482,186	12,458,126	8,407,817	6,927,430	6,545,088

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