建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0832.HK

根植中原 造福百姓
胡葆森

Annual Report 2018

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing
Ms. Yan Yingchun (resigned on 21 August 2018)
Mr. Wang Jun (appointed on 21 August 2018)

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Dr. Sun Yuyang (appointed on 8 January 2018)

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun *(Chairman)*
Mr. Xin Luo Lin
Mr. Lucas Ignatius Loh Jen Yuh

Remuneration Committee

Mr. Xin Luo Lin *(Chairman)*
Mr. Wu Po Sum
Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum *(Chairman)*
Mr. Cheung Shek Lun
Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Yuan Xujun

COMPANY SECRETARY

Mr. Yeung Wai Leung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block E, Jianye Office Building
Nongye East Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B-7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House,
24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information (Continued)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS

As to Hong Kong Law

Li & Partners

As to Cayman Islands Law

Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

WEBSITE OF THE COMPANY

www.jianye.com.cn

SHAREHOLDERS' INFORMATION

Share listing

The company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Ordinary Shares (as at 31 December 2018)

Shares outstanding	:	2,731,262,560 shares
Nominal value	:	HK$0.10 per share

INVESTOR RELATIONS CONTACT

Email address	:	ir@centralchina.com

HEAD OF INVESTOR RELATIONS & CHIEF INVESTMENT OFFICER

Mr. Mai Vinh

FINANCIAL CALENDAR

2018 annual results announcement	:	27 March 2019
Book closure period (for determining shareholders' eligibility to attend and vote at the annual general meeting (the "2019 AGM"))	:	25 April 2019 to 30 April 2019 (both days inclusive)
2019 AGM	:	30 April 2019

Corporate Profile

Corporate Profile

Central China Real Estate Limited (hereinafter referred to as "CCRE" or the "Company", together with its subsidiaries hereinafter referred to as the "Group", stock code: 832.HK) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the "First Class Honor of Real Estate Developer" in the People's Republic of China (the "PRC" or "China").

The Company has been committed to the real estate main business and the development of branded properties as its principal activity since its establishment. Over 26 years, we have continued to guide residents to new exposures in lifestyle through our articulately crafted architectural masterpieces in honour of our core value of "Taking Root in Central China and Contributing to Society." The Company is of the view that enterprises relate to society in the same way as trees relate to the earth. When we establish our presence in a city, we cooperate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting the economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees.

The Company positions itself as a facilitator of urbanisation and all-round social progress for the region of central China. Having taken root in Henan Province for 26 years, we are resolute as ever in our vision and mission of "building quality houses for the people of Henan". With the development of housing complexes such as "Forest Peninsula", "U-Town", "Code One City", "Sweet-Scented Osmanthus Garden", "Jianye Eighteen Cities" and "New Asia", we have improved the standard of residential housing in various cities in the Henan Province. In addition, the launch of light-asset model of the Company has secured synergetic effect with its property development business, making important contributions to the urbanisation process of the province. Meanwhile, the Company endeavours to construct a "tailor-made" mega service regime by integrating internal and external resources, such as property, education, hotel, football, commerce and green house, with a view to activating the "New Blue Ocean Strategy" and transforming the Company from an urban complex developer to a new lifestyle services provider for urban residents.

The Company is firmly committed to its philosophy of "providing customers with zero-defect products and first-rated services". In addition, we apply concepts of scientific decision-making, management standardisation and operation professionalisation in our business management to ensure the quality of our products and services.

In its persistent professional pursuit of premium residential housing development over the past 26 years, the Company has fostered a "CCRE model" focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high calibre management team, given substance to the corporate philosophy of "Perseverance for Excellence" and embarked on a development cycle of "ongoing profitability and stable growth".

As at 31 December 2018, the Company has established its presence in Henan Province's 18 prefecture-level cities and 77 county-level cities. The Company had delivered development projects with an accumulated aggregate gross floor area ("GFA") of approximately 30.06 million square metres ("sq.m.") and owned 118 projects under development, total GFA under development of approximately 21.72 million sq.m. and land reserves GFA of approximately 46.08 million sq.m., including beneficially interested GFA of approximately 34.66 million sq.m..

Jianye Foodcourt

PROJECTS OVERVIEW

Zhengzhou
1 Seven Land Parcels at Baisha
2 Blossom Garden
3 Zhengxi U-Town
4 Zhengxi Forest Peninsula
5 Jianye Fuli-Wulong Century New City
6 Spring Time
7 Triumph Plaza
8 Sky Mansion
9 Yingtaogou Project (project name to be confirmed)
10 Canal Courtyard
11 Wisdom Port
12 Jianye Tihome-International City
13 Jianye Haima-Jiuru House
14 Jianye Chengyuan (Movie Town)
15 Jianye Art Mansion (Unique in Henan)
16 Movie Town
17 Unique in Henan
18 Jianye J18 (Anyong, Ansheng)
19 Financial Island
20 Zhengzhou Fuli-Intelligent Palace
21 St. Andrews
22 Jianye Centre
23 Jianye Xuhui-Zhengrong Grand Mansion
24 Air Harbour Zone Land No. 123
25 Shangdu Historical and Cultural Zone Project (project name to be confirmed)
26 Songshan Technology Park Project (project name to be confirmed)
27 Gongyi Spring Time
28 Gongyi Chinoiserie House
29 Gongyi Code One City
30 Gongyi CCRE Mall
31 Xinzheng Tianhuicheng
32 Dengfeng Songyue Mansion
33 Dengcao Project (project name to be confirmed)
34 Xinmi Code One City
35 City Garden
36 Landmark
37 Zhongmou Farm Village
38 Jianye Commune
39 U-Town
40 Forest Peninsula
41 Code International Garden
42 Champagne Garden
43 Code One City
44 Xiangsheng Garden
45 Maple Garden
46 Sweet-Scented Osmanthus Garden
47 Code Two City
48 Jianzheng Centre
49 Jianye Square
50 Jinshui Garden
51 The Five Buildings

Kaifeng
52 Taihe House
53 Baile Fang
54 Banmu Garden
55 Xihe PARK
56 Blossom Garden
57 Chrysanthemum Garden
58 Lankao Red World
59 Tongxu Jianye City
60 Tongxu Code One City
61 Qi County Jianye Yipin Blossom Garden
62 Qishengjiao
63 Xihe House
64 Wanshanjie
65 Jiuqiaoli
66 Huixianlou
67 City Garden
68 Forest Peninsula

Luoyang
69 Huayang Fengdu
70 Dingding House
71 Code Two City
72 Golf Garden
73 Sweet-Scented Osmanthus Garden
74 Wisdom Port
75 Honour Mansion
76 Technology City
77 Longcheng Dongwang
78 Binhelong House
79 Yanshi Forest Peninsula
80 Mengjin Dachengxiaoyuan
81 Forest Peninsula
82 Gentlest Lake
83 Code One City
84 Huayang Square
85 Jianye Poly-Champagne International
86 Triumph Plaza
87 Zuoan International
88 Longcheng

Pingdingshan
89 Spring Time
90 Sweet-Scented Osmanthus Garden
91 Eighteen Cities
92 Ruzhou Sweet-Scented Osmanthus Garden
93 Wugang Jade County
94 Wugang Forest Peninsula
95 Baofeng Forest Peninsula
96 Forest Peninsula

Anyang
97 Sweet-Scented Osmanthus Garden
98 Jianye City
99 Jianye Eighteen Cities
100 Chinoiserie House
101 Code One City
102 Linzhou CCRE Mall
103 Hua County Code One City
104 Tangyin Forest Peninsula
105 Guihua House
106 Forest Peninsula

Hebi
107 Sweet-Scented Osmanthus Garden
108 Code One City
109 Forest Peninsula

Xinxiang
110 U-Town
111 Chinoiserie House
112 Code One City
113 Spring Time
114 Huixian Spring Time
115 Huixian Code One City
116 Changyuan Forest Peninsula
117 Changyuan Forest Peninsula Courtyard
118 Green Garden
119 Forest Peninsula
120 Jianye Beverly Manor

Jiaozuo
121 Spring Time
122 Central Garden
123 Forest Peninsula
124 Chinoiserie House
125 Code One City
126 Zhenyuehui
127 Qinyang Spring Time
128 Xiuwu Forest Peninsula
129 Wen County Spring Time
130 Wuzhi Star Mall
131 Boai Spring Time

Puyang
132 Landmark
133 Industrial Park
134 Chinoiserie House
135 Tonghe House
136 Code One City
137 Zhenyuehui
138 Jianye New City
139 Forest Peninsula
140 Daji Town
141 Sweet-Scented Osmanthus Garden
142 City Garden
143 Jianye City

Xuchang
144 Zhenyuehui
145 Sweet-Scented Osmanthus Garden
146 Chinoiserie House
147 Code One City
148 Yuzhou Sweet-Scented Osmanthus Garden
149 Yuzhou Jundu New World
150 Changge Spring Time
151 Changge Sweet-Scented Osmanthus Garden
152 Changge Forest Eco-City
153 Changge Sweet-Scented Osmanthus Garden New City
154 Land allocated to Yanling Green House
155 Yanling Eco-City
156 Palladio Luxurious House
157 Forest Peninsula

Luohe
158 Sweet-Scented Osmanthus Garden
159 Xicheng Forest Peninsula
160 Code One City
161 Linying Sweet-Scented Osmanthus Garden
162 Forest Peninsula
163 MOCO New World

Sanmenxia
164 Jianye City
165 U-Town
166 Code One City
167 Honour Mansion
168 New District Forest Peninsula
169 Lingbao Forest Peninsula
170 Forest Peninsula
171 New Word
172 Green Garden
173 Lakeside Square

Shangqiu
174 Blossom Garden
175 Central Garden
176 Sweet-Scented Osmanthus Garden
177 Hill Water Lake City
178 Eighteen Cities
179 Sky Mansion
180 Xingfuli
181 Headquarter Port
182 Yongcheng U-Town
183 Zhecheng U-Town
184 Green Garden
185 U-Town
186 Forest Peninsula

Zhoukou
187 Forest Peninsula
188 Chinoiserie House
189 Shiyue House
190 Code One City
191 Landmark
192 Jianye City
193 Xiangcheng Spring Time
194 Xiangcheng Jianye City
195 Luyi Jianye City
196 Luyi Mingdao City
197 Fugou Jianye New City
198 Xihua Central Garden
199 Xihua Jicheng Courtyard
200 Xihua Jianye City
201 Shenqiu Jianye City
202 Huaiyang Sweet-Scented Osmanthus Garden
203 Huaiyang Jianye City
204 CCRE Mall Project (project name to be confirmed)
205 Shangshui Yangcheng Courtyard
206 Jianye City North Courtyard
207 Taikang Eco-City
208 Taikang Xingfuli
209 Taikang Jianye City

Zhumadian
210 The West Lake Villa
211 Eighteen Cities
212 Spring Time
213 Xincai CCRE Mall
214 Xiping Forest Peninsula
215 Suiping Forest Peninsula
216 Pingxing Jianye City
217 Zhengyang Jianye City
218 Runan Jianye City
219 Forest Peninsula

Nanyang
220 Jianye Country Garden-Longyue City
221 Central Garden
222 Triumph Plaza
223 Forest Peninsula
224 Shilihushan
225 Code One City
226 Fangcheng Dragon Bay
227 Dengzhou Central Garden
228 Xixia Central Garden
229 Green Garden
230 Taohua Island Project (project name to be confirmed)

Xinyang
231 Yinxiang Hushan
232 Jianye City
233 Code One City
234 Gushi Jianye City
235 Forest Peninsula
236 South Lake No.1

Jiyuan
237 Jianye City
238 U-Town
239 Blossom Garden
240 New World
241 Code One City
242 Code One City North Courtyard
243 Forest Peninsula

Hainan
244 Sanya Hongtangwan Project (project name to be confirmed)

Zhengzhou Jianye Sky Mansion

Zhengzhou Triumph Plaza

In line with its corporate culture underpinned by "honesty, responsibility, integrity and focus", a state of business featuring a high level of integration between "economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process" is coming into shape.

The Company ranked 41st in the "2018 Top 500 Chinese Property Developers" in the "2018 Assessment Report on Top 500 Chinese Property Developers" published on 21 March 2018 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for ten consecutive years in a row. According to the "Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018" published on 25 May 2018, the Company ranked 26th on the "2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths" and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the "2018 Fortune China 500 List" released by the Fortune magazine on 10 July 2018, the only property developer in Henan province on the list. On 18 September 2018, the results of the 2018 Chinese Real Estate Corporate Brand Value Assessment was released, pursuant to which, the Company ranked 27th of Chinese Real Estate Development Corporate Brand Value. Meanwhile, on 26 December 2018, the National Federation of Industry and Commerce issued the " Blue Book of China Private Enterprise Social Responsibility Report 2018" for the first time, in which, the Company was selected as a representative of the private enterprises in central China, standing out from the 397 outstanding cases of corporate social responsibility in the PRC on the list.

The Company adheres to its corporate philosophy of "Perseverance for Excellence" and its core value of "Taking Root in Central China and Contributing to Society". The Company remains committed to making contributions to the development of the real estate industry and the private economic sector, as well as the strengthening of the nation and the prosperity of the country.

Chairman's Statement

Dear Shareholders,

I have the pleasure to present, on behalf of the board of directors of the Company, to you the consolidated annual results of the Group for the year ended 31 December 2018 as well as the business review.

In 2018, the global economy was under significant downward pressure, and in the face of the challenges, the Chinese economy continued to deliver satisfactory results, with its gross domestic product exceeding RMB90 trillion for the first time, representing an increase of 6.6% over the previous year, which secured China the first place among the top five economies in the world. China's structural adjustment has been steadily advancing, with the replacement of old growth drivers escalating, its reform and opening up deepening, and the green development accelerating, while participating in the transformation of the global economic governance system.

As for the real estate market, the investment in real estate development in China amounted to RMB12,026.4 billion in 2018, representing an increase of 9.5% over the previous year, and the area of commercial housing sold amounted to 1,716.54 million sq.m., representing an increase of 1.3% over the previous year. Under the guideline of "The house is for living, not for speculating", China's real estate market has been gradually shifting from radical expansion to rational development.

As the highland of opening up in central China, Henan Province achieved a GDP of RMB4,805.6 billion in 2018, representing a year-on-year increase of 7.6%, and ranking first among the six provinces in central China and fifth in the whole country. In recent years, Henan Province saw continuous improvement of its advantages as an integrated transportation hub and vigorous industrial transformation and upgrading. The urban agglomeration in central China promoted the integrated development of urban and rural areas and released huge market demands. At the same time, the simultaneous implementation of a large number of national strategies is releasing favourable policy effects.

EQUAL STRESS ON LIGHT AND HEAVY ASSETS RESULTED IN SIGNIFICANT INCREASE IN OPERATING RESULTS

Based on its prediction and analysis of the industry environment and competitive landscape in addition to its 26-year accumulative branding effects, the Company achieved a total sales of RMB53.7 billion in 2018, representing an increase of 76% over the same period of last year, becoming the "Double Champion" in Henan region in terms of cash flow and sales GFA. Meanwhile, the Company ranked the 41st among the "2018 Top 500 Chinese Property Developers" in the "2018 Assessment Report on Top 500 Chinese Property Developers" published on 21 March 2018 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for ten consecutive years in a row; according to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018 published on 25 May 2018, the Company ranked the 26th among the "Top 30 China Real Estate Listed Companies with Strongest Comprehensive Strength in 2018" and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the "2018 Fortune China 500 List" by the Fortune magazine on 10 July 2018, being the only property developer in Henan Province on the list. On 18 September 2018, the Company ranked 27th in terms of brand value among China's real estate developers at the "2018 China Real Estate Enterprise Brand Development Summit and Real Estate Developer Brand Value Evaluation Results Release Conference". On 26 December 2018, the All-China Federation of Industry and Commerce issued the Blue Book of 2018 Social Responsibility Report for China's Private Enterprises for the first time, and the Company stood out from 397 outstanding candidates from all over the country and was selected as a representative of the private enterprises in Central China.

Based on the coordination and analysis on different cities in the region, the Company has adopted a dual approach of light and heavy assets for development to explore projects resources through multi-channel expansion. In the reporting period, the Company newly acquired land reserves with a total GFA of approximately 13.51 million sq.m.. In relation to light assets, the Company has signed contracts in relation to 110 projects with a planned GFA of approximately 16.62 million sq.m. in aggregate and a total sales of RMB18.7 billion. The diversified development will effectively enhance the market share and the brand influence of the Company, allowing the Company to achieve its development goals.

STRATEGIC TRANSFORMATION HAS ACHIEVED REMARKABLE RESULTS IN THREE YEARS, AND THE EFFECTS OF DIFFERENTIATED COMPETITION ARE PROMINENT

Over the past 40 years of reform and opening up, China has undergone earth-shaking changes. In the new era of socialism with Chinese characteristics, people's growing needs for a better life have become a whole new proposition of this era. To create a rich, diverse, fresh and convenient life experience has become a new direction for enterprise development.

Since 2015, the Company has officially launched the strategic transformation from a "real estate developer" to "new lifestyle service provider". After three years of practice, a business ecosystem that covers "Jianye + Real Estate, +Commerce, +Hotels, +Properties, +Technology, +Agriculture, +Cultural Tourism, +Education, +Sports, +Finance, +Tourism, +Junlin Club" has been gradually improved and exerting a strong force.

The Company's new blue ocean transformation strategy and the "Jianye+" commercial ecosystem are not a blinded following of the business trend, but a perfect compliance with the general trend of China's consumption and service upgrades. It is also an active exploration for the ways to cater for the consumption upgrade and new lifestyle of its core customer groups. Based on its deep culture confidence, strategic self-confidence, and brand confidence, the Company's mission has been upgraded from "Building **quality houses** for the people of Henan" to "Providing **quality living standards** for the people of Henan", and hope to open up the entire lifestyle-focused industry chain from investment, construction to service through its new blue ocean strategic transformation and " Jianye+" commercial ecosystem.

Puyang Sweet-Scented Osmanthus Garden

Zhengzhou The Five Buildings

DEVELOPING WHILE TRANSFORMING AND STRENGTHENING THE SYNERGY OF "JOINT OPERATIONS WITH MULTIPLE FORCES"

With its strategic focus on Henan for 26 years, the Company has built up strong brand influence, good reputation and credit support in the regional market. Over the three years of transformation, the superposition effect of its "Jianye+" commercial ecosystem has gradually emerged. At a time when the regulation of the industry intensified and the real estate developers prepared themselves for the "winter", the Company maintain its "deep autumn outlook" and believed in the business philosophy of "the law is natural rules", rendering extraordinary performance against the trend. In an era of global economic integration when everything is undergoing rapid changes, the Company believes that human nature and people's hearts have not changed, and the law of doing business is to win the hearts of the people.

In the future, the Company will strive to achieve "developing while transforming" and leverage the combined advantages brought by our brand, reputation and unique business model, facilitate resources consolidation and innovate channels for land acquisition to further upgrade our products and service standards, maximise synergy of the "joint operations with multiple forces" within our "Jianye+" commercial ecosystem centred on the core property business, maintain our corporate culture underpinned by "honesty, responsibility, integrity and focus" so as to strive to achieve the management target of "consensus, co-creation, responsibility, win-win relations, sharing".

Relying on the opportunities in a new era and the rich and large business ecological pattern, and with a new vision of "Providing quality living standards for the people of Henan", the Company will continue to be committed to creating a new way of life for the 100 million people in Henan.

IMPLEMENTING VARIOUS MEASURES TO ENHANCE PROFITABILITY

With US interest rate rise, the replacement of old growth drivers with new ones in China and financial deleveraging, the property industry, facing a complicated economic environment both at home and abroad and under the guidance of right national policies, is entering a new normal stage. Under such a background, property companies are more urged to further improve their profitability through the combination of standardised and fine management and standardised and innovative products. In the future, the Company will strengthen its management in relation to the construction of standardised product systems, cost optimisation and the scientific management of assets held.

Under the synergy of "joint operations with multiple forces", in addition to speeding up the construction of standardised product systems, the Group will constantly make innovations in marketing, and build the fifth-generation products to improve the competitiveness of its products by integrating various resources. Cost management systems will be further improved to ensure that product cost is suitable for the market and the level of fine cost management will be enhanced. Meanwhile, the Group will optimise the structure of organisational management, strengthen the management and control of cost and efficiency, and improve management efficiency, thus reducing cost and improving efficiency.

In 2019, the Company will enter a critical strategic period featuring "developing while transforming", during which the management of stock assets will be of great importance. In the future, the Company will promote the optimisation of investment structure, fully explore the value of existing business, improve the investment and operation and management systems of stock assets, advance the coordinated development of new and existing businesses, and accelerate the enhancement of its profitability, striving to maintain stable operation and long-term development.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our employees for their diligent work and contributions. In such an era of changing and evolution, the trust and recognition of our shareholders remain the driving force for us to go forward. We will keep trying to maximise shareholders' value by acting as the facilitator of urbanisation and social progress in the cities of central China and enhancing our contributions to the healthy and sustainable development of China's real estate industry.

Wu Po Sum
Chairman

27 March 2019

Financial Highlights

SUMMARY OF CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2018	2017	Changes
Revenue *(RMB'000)*	**14,783,480**	13,879,207	6.5%
Gross profit *(RMB'000)*	**5,091,103**	3,280,777	55.2%
Gross profit margin	**34.4%**	23.6%	10.8*
Gross profit from core business *(RMB'000)*	**4,213,916**	2,825,399	49.1%
Gross profit margin from core business	**30.8%**	21.1%	9.7*
Net profit *(RMB'000)*	**1,415,123**	899,282	57.4%
Net profit margin	**9.6%**	6.5%	3.1*
Profit attributable to equity shareholders *(RMB'000)*	**1,154,262**	811,365	42.3%
Basic earnings per share *(RMB)*	**0.4430**	0.3319	33.5%
Diluted earnings per share *(RMB)*	**0.4351**	0.3295	32.0%
Final dividends per share *(HK$)*	**0.1412**	0.1229	14.9%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2018	2017	Changes
Total cash (including cash and cash equivalents and restricted bank deposits) *(RMB'000)*	**17,781,856**	13,408,915	32.6%
Total assets *(RMB'000)*	**101,962,375**	62,527,185	63.1%
Total liabilities *(RMB'000)*	**91,692,591**	54,054,016	69.6%
Total equity (including non-controlling interests) *(RMB'000)*	**10,269,784**	8,473,169	21.2%
Total borrowings *(RMB'000)*	**19,851,250**	15,584,145	27.4%
Net borrowings *(RMB'000)*	**5,648,991**	4,300,292	31.4%
Current ratio(1)	**108.3%**	110.3%	-2.0*
Net gearing ratio(2)	**55.0%**	50.8%	4.2*
Net asset value per share *(RMB)*	**3.76**	3.47	8.4%
Equity attributable to equity shareholders per share *(RMB)*	**3.24**	3.14	3.2%

Notes: * change in percentage points

(1) calculated based on the Group's total current assets divided by the Group's total current liabilities

(2) calculated as set out on page 19

Management Discussion and Analysis

Management Discussion and Analysis

FINANCIAL REVIEW

Overall performance

The Group is pleased to announce a significant growth in contracted sales amounting to RMB72,366 million in 2018, representing a year-on-year increase of approximately 97.2%, of which the contracted sales of heavy assets amounted to RMB53,675 million, representing a year-on-year increase of approximately 76.5%, and the contracted sales of light assets amounted to RMB18,691 million, representing a year-on-year increase of approximately 197.2%. As the increase in contracted sales and cash collection of sales were satisfactory, the cash and cash equivalents and restricted bank deposits of the Group in total amounted to approximately RMB17,782 million as at 31 December 2018.

As at 31 December 2018, net borrowings in total amounted to approximately RMB5,649 million with net gearing ratio of approximately 55.0%. The Group has persisted in adhering to a prudent principle in financial management, thus maintaining a high proportion of cash with a reasonable level of borrowing.

Zhoukou Jianye Forest Peninsula

The Group has implemented a proactive and aggressive approach to acquire land and accelerated the project construction progress since the second half of 2017, so as to shorten the development cycle. However, the property sales carried forward in terms of gross floor area ("GFA") recognised during the year decreased as compared to 2017, and the revenue recorded did not increase significantly as contracted sales due to the delay in revenue recognition of certain properties as a result of the application of HKFRS15, which no longer required the restatement of 2017 financial statement under the transition method the Group selected and thereby not adjusting the delay of sales recognised from previous years to current or subsequent periods. If the revenue for 2018 had been calculated in accordance with old accounting policies, the revenue for 2018 would have been approximately RMB19,165 million, representing a year-on-year increase of approximately 38.1% and the profit attributable to the equity shareholders of the Company in 2018 would have been approximately RMB1,588 million, representing a year-on-year increase of approximately 95.8%.

As at 31 December 2018, the Company has entered into contracts for 110 light-asset model projects in total with expected total GFA of approximately 16.62 million sq.m. according to those contracts. Those light-asset model projects contracts generated revenues of approximately RMB675 million in 2018 for the Group, representing a year-on-year increase of approximately 119.2%. Such light-asset projects will generate steady income to the Group in the coming years.

As at 31 December 2018, the contracted sales of the Company which was not recognised was approximately RMB39,908 million with corresponding gross profits of approximately RMB10,598 million. The amount is expected to be recognised as revenue and gross profit in the next two or three years.

In addition to property sales, the Group has been developing hotel, cultural tourism, green house and light-asset projects, so as to diversify its businesses, expand its revenue base and spread its operational risks. The management believes that the injection of part of the resources into these new businesses would improve the Group's industry value-chain and the integration of its businesses into interactive business segments such as properties, hotels, cultural tourism and green house, which will enable it to offer "personalised" services to its customers.

Revenue: Our revenue increased by 6.5% to approximately RMB14,783 million in 2018 from approximately RMB13,879 million in 2017, primarily due to the delay in revenue recognition of certain properties since 2018 as a result of the application of HKFRS15, which resulted in the decrease in the GFA of the properties recognised during the year as compared to 2017, therefore the revenue recorded did not increase significantly as the contracted sales.

- **Income from sales of properties:** Revenue from property sales increased by 3.2% to approximately RMB13,629 million for 2018 from approximately RMB13,211 million for 2017 due to a decrease in area recognised by 19.7% to 1,871,076 sq.m. for 2018 from 2,329,226 sq.m. for 2017, while the average selling price (excluding underground parking spaces) increased by 28.4% to RMB7,284 per sq.m. for 2018 from RMB5,672 per sq.m. for 2017.

- **Rental income:** Income from property leasing increased by 54.7% to approximately RMB147 million for 2018 from RMB95 million for 2017, which was mainly due to the rental income from the newly-opened shopping malls and commercial buildings.

- **Revenue from hotel operation:** Revenue from hotel operation increased by 7.1% to approximately RMB285 million in 2018 from approximately RMB266 million in 2017, as the markets of the famous tourist cities of Henan, such as Zhengzhou, Nanyang and Luohe, were rather prosperous as compared with 2017, with the occupancy rate and room rates increasing remarkably. In addition, Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion commenced operation and was put into trial operation during the year respectively.

- **Revenue from provision of project management service:** Revenue from provision of project management service increased by 119.2% to approximately RMB675 million for 2018 from approximately RMB308 million for 2017 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly attributable to a rapid increase in projects.

Cost of sales: Our cost of sales decreased by 8.5% to approximately RMB9,692 million for 2018 from approximately RMB10,598 million for 2017. The decrease in cost of sales was due to a decrease in GFA sold during the year as mentioned above.

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Gross profit: The Group's gross profit increased by 55.2% to approximately RMB5,091 million for 2018 from approximately RMB3,281 million for 2017, while our gross profit margin increased significantly by 10.8 percentage points from 23.6% for 2017 to 34.4% for 2018. It was principally due to during the year: 1) the increase of the average selling price of property sales recognised was higher than the increase of the average cost of sales; 2) an increase in the proportion of sales of car park spaces with higher gross profit margin as a result of an increased sales volume; 3) an increase in the proportion of sales volume in cities with higher gross profit margin, such as Zhengzhou and Luoyang; and 4) an increase in revenue from project management service with higher gross profit margin.

Other revenue: Other revenue increased by 51.6% to approximately RMB235 million for 2018 from approximately RMB155 million for 2017. This was primarily due to 1) an increase in advances to third parties resulting in an increase in related interest income; and 2) an increase in government compensation.

Other net income: Other net income decreased by 75.2% to approximately RMB64 million for 2018 from approximately RMB258 million for 2017, which was primarily due to 1) the exchange loss of RMB40 million for 2018 as compared to the exchange gain of RMB60 million for 2017; and 2) the revenue for 2017 included the gain on disposal of a subsidiary.

Selling and marketing expenses: Our selling and marketing expenses increased by 70.4% to approximately RMB1,188 million for 2018 from approximately RMB697 million for 2017. The increase was primarily due to an increase in brand advertising and property marketing expenses, including the contribution of RMB298 million to sports events during the year to strengthen brand promotion.

General and administrative expenses: Our general and administrative expenses increased by 42.8% to approximately RMB1,552 million for 2018 from approximately RMB1,087 million for 2017, which is because the Group continued its business expansion, and expanded into 13 county-level cities in Henan province, while the number of projects under development of the Group increased from 92 as at the end of 2017 by approximately 110.9% to 194 as at the end of 2018, leading to 1) an increase in staff cost of approximately RMB198 million in 2018 as compared to 2017; 2) an increase in other relevant tax expenses of approximately RMB104 million in 2018 as compared to 2017 and; 3) an increase in travelling expenses of approximately RMB56 million in 2018 as compared to 2017.

Impairment losses on trade and other receivables, including contract assets: Impairment losses on trade and other receivables, including contract assets, amounted to approximately RMB55 million for 2018, mainly due to the impairment of financial assets resulting from the application of "expected credit loss", a new impairment model under the HKFRS 9.

Finance costs: Our finance costs decreased by 44.6% to approximately RMB226 million for 2018 from approximately RMB408 million for 2017, mainly due to the change in fair value of derivatives.

Shares of profits less losses of associates: Our share of losses of associates increased by 350.0% to approximately RMB18 million for 2018 from approximately RMB4 million for 2017, mainly due to new associates are during early stages of project construction.

Share of profits less losses of joint ventures: Our share of profits of joint ventures decreased by 92.0% to approximately RMB16 million for 2018 from approximately RMB199 million for 2017, primarily due to substantial new joint ventures are still under the progress of project construction.

Net valuation gain on investment property: Net valuation gain of approximately RMB606 million on our investment property for 2018 was recorded, which was mainly due to the use of Luoyang Triumph Plaza during the year was changed from sale with lease to self-held lease and therefore the plaza was transferred from inventories to investment property.

Income tax: Income tax mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 49.6% to approximately RMB1,557 million for 2018 from approximately RMB1,041 million for 2017, which was principally due to the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties during the year.

Profit for the year: As a result of the foregoing, our profit for the year increased by 57.4% to approximately RMB1,415 million for 2018 as compared to approximately RMB899 million for 2017.

Financial resources and utilisation: As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB14,202 million (31 December 2017: approximately RMB11,284 million). During the year, the Company has declared an interim dividend of RMB165 million in total to the shareholders of the Company and recommended a final dividend of approximately RMB330 million in total to the shareholders of the Company in relation to profit attributable to the year ended 31 December 2018 (2017: approximately RMB243 million).

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. During the year, we successfully issued the 6.50% senior notes due 2021 with a principal amount of US$300,000,000 (the "US$300m Senior Notes Due 2021"), 6.875% senior notes due 2020 with a principal amount of US$386,000,000 (the "US$386m Senior Notes Due 2020") and 6.25% senior notes due 2020 with a principal amount of SGD150,000,000 (the "SGD150m Senior Notes Due 2020"), respectively. As at 31 December 2018, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment Schedule	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Bank loans		
Within one year	**1,756,130**	450,118
More than one year, but not exceeding two years	**2,232,976**	986,674
More than two years, but not exceeding five years	**1,368,250**	1,785,876
Exceeding five years	**473,125**	664,910
	5,830,481	3,887,578
Other loans		
Within one year	**593,150**	90,000
More than one year, but not exceeding two years	**240,030**	90,000
More than two years, but not exceeding five years	**–**	90,000
Exceeding five years	**–**	30,000
	833,180	300,000
Corporate bonds		
Within one year	**2,996,760**	–
More than one year, but not exceeding two years	**–**	2,986,914
	2,996,760	2,986,914
Senior notes		
Within one year	**–**	3,890,692
More than one year, but not exceeding two years	**4,744,799**	–
More than two years, but not exceeding five years	**5,446,030**	4,518,961
	10,190,829	8,409,653
Total borrowings	**19,851,250**	15,584,145
Deduct:		
Cash and cash equivalents	**(14,202,259)**	(11,283,853)
Net borrowings	**5,648,991**	4,300,292
Total equity	**10,269,784**	8,473,169
Net gearing ratio (%)	**55.0%**	50.8%

Pledge of assets: As at 31 December 2018, we had pledged completed properties, properties under development, properties for future development, plant and equipment, and equity interest in a joint venture with an aggregate carrying amount of approximately RMB4,349 million (31 December 2017: approximately RMB1,567 million) to secure general bank credit facilities and other loans granted to us. We did not pledge property, plant and equipment to secure loans granted to our joint ventures (31 December 2017: property, plant and equipment with an aggregate carrying amount of approximately RMB160 million to secure other loans granted to our joint ventures).

Contingent liabilities: As at 31 December 2018, we provided guarantees of approximately RMB29,523 million (31 December 2017: approximately RMB23,341 million) to banks in respect of the mortgage loans provided by the banks to customers who purchased the developed properties of our Group and its joint ventures. We also provided guarantees of approximately RMB4,985 million as at 31 December 2018 (31 December 2017: approximately RMB6,512 million) in respect of bank loans and other loans of joint ventures. We also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreements as at 31 December 2018. Apart from the above, the Group provided liquidity guarantee support in favour of Jianye Property Management in an amount of not exceeding RMB650 million as at 31 December 2018 (31 December 2017: RMB650 million) in relation to Assets-backed Securities issued by Jianye Property Management.

Capital commitment: As at 31 December 2018, we had contractual commitments undertaken by subsidiaries, the performance of which was underway or ready, in respect of property development amounting to approximately RMB24,153 million (31 December 2017: approximately RMB6,815 million), and we had authorised, but not yet contracted for, a further approximately RMB44,535 million (31 December 2017: approximately RMB12,352 million) in expenditure in respect of property development and capital investments.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 31 December 2018, our major non-RMB assets and liabilities are (i) bank deposits denominated in H.K. dollar; and (ii) the senior notes denominated in U.S. dollar and Singapore dollar. We are subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominated in currencies other than RMB. Considering the main income stream of the Group denominated in RMB, we have changed the currency to repay the principal and interest of the US$200 million Senior Notes issued in 2016 into RMB through a foreign exchange swap contract, and locked the exchange rate of the net investment denominated in RMB and with an equivalent amount of US$350 million through foreign exchange forward contracts.

Interest rate risk: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We have swapped the floating rate of the borrowing of US$150 million to fixed rates through interest rate swap contracts to hedge part of the interest rate risk.

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. *The Macro-economic Environment*

The year 2018 marked the opening of the 19th National Congress and witnessed profound changes in the international situation as well as the escalation of Sino-US trade friction. Facing the complicated and turbulent domestic and international environment, the Chinese Central Government adhered to its basic guideline of making progress on a sustainable basis, concentrating all its efforts and resources to conquer difficulties and promote high-quality social and economic development under the guidance of the new development theories, as a result of which China's economy has been developing within a reasonable range and making steady progress. All its preset targets of social and economic development have been accomplished with an encouraging employment rate and rapid growth in the government revenue, business profits and household income, and the quality and efficiency of economic development have been constantly improving. In 2018, China achieved a GDP of approximately RMB90.03 trillion, representing a year-on-year increase of 6.6%, slightly above the preset target of around 6.5%.

During the year, Henan Province conscientiously implemented the Central Government's decisions and arrangements while closely following the guidance of the new development theories and general direction of high-quality development, carrying on the supply-side structural reform as its principal task and concentrating its efforts and resources in implementing all kinds of policies, resulting in continuous optimization of its economic structure, a smooth switch of the old and new economic growth drivers, constant improvement in the quality and efficiency of its economic development and a rapid growth in the profits of the enterprises in Henan. Consequently, its economy has maintained an overall stable and progressive development trend. In 2018, Henan Province achieved a GDP of approximately RMB4.81 trillion, representing a year-on-year increase of 7.6%, which is 1.0 percentage point higher than the national average.

2. *The Property Market*

The two important meetings of the Central Committee of CPC held in the first and second half of 2018 respectively have set the key tone for its regulation of the real estate industry throughout the year. In March, the two meetings further emphasised that "housing is for accommodation, not for speculation" while firmly carrying on its differentiated regulation. In July, the meeting of the Central Political Bureau of CPC underlined its resolution on "curbing the rise of housing prices." Under such a general principle, the local governments' regulation policies tended to be tightening while maintaining a stable stance, continuing to apply differentiated policies in light of different situations in different places. On the demand side, the local governments have increased their efforts in market supervision and curbing speculation on real estate, aiming to protect people's reasonable demands for housing; on the supply side, they focused on adjustment to the housing supply structure, while vigorously developing the residential leasing market and increasing supply of affordable housing such as houses with joint property rights. Overall, the regulation on the real estate industry throughout the year has been accurately implemented from both sides, i.e. the supply side and demand side, and the market expectation has gradually returned to a rational level, indicating that the regulation policy has achieved phased success.

In 2018, the area of commercial house sold in China amounted to 1,716,540,000 sq.m., up 1.3% year on year; the commercial house sales amounted to RMB14,997.3 billion, up 12.2% year on year; and the investment in real estate development amounted to RMB12,026.4 billion, up 9.5% year on year.

Propelled by the new urbanization campaign, Henan Province insisted on the guideline known as "housing is for accommodation, not for speculation" and strengthened its regulation on the real estate industry by applying differentiated policies in light of different situations in different places, as a result of which its real estate market remained generally stable with significantly improved market demand, and the sharp rise in property prices has been successfully curbed. Zhengzhou City has maintained its strict control over the real estate market. Due to the effect of destocking which has been basically completed and the tightening of the policies on housing in rundown urban areas, there was clear differentiation in performance in the markets in different cities. In 2018, the area of commercial house sold in Henan Province amounted to 139,905,000 sq.m., up 5.1% year on year; the commercial house sales amounted to RMB805.53 billion, up 13.0% year on year; and the investment in real estate development amounted to RMB701.547 billion, down 1.1% year on year.

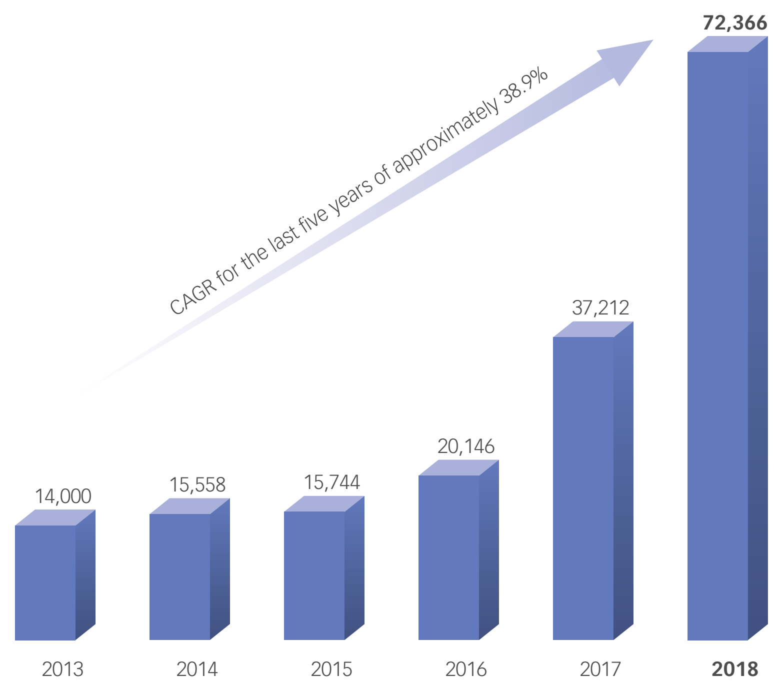
(II) Project Development

1. *Real Estate Development*

(a) Property Sales Performance

During the reporting period, a progressive growth in property sales and a breakthrough in sale target were achieved through our great effort in expediting property sales. In 2018, the contracted sales sold by the Company amounted to approximately RMB72,366 million, representing a compound annual growth rate of 38.9% in the past five years. In particular, the contracted sales of heavy assets amounted to RMB53,675 million, representing an increase of 76.5%; and the contracted area sold of heavy assets was approximately 7,433,000 sq.m., representing an increase of 62.2%. In terms of contracted sales amount, the market share of the Company in 2018 in Henan Province was 9.0%.

Unit: RMB million



Geographical Breakdown of Contracted Sales of Heavy Assets in 2018

City	Contracted sales amount (RMB million) 2018	2017	Change	Contracted GFA ('000 sq.m.) 2018	2017	Change
Zhengzhou	**13,799**	8,033	72%	**1,254**	720	74%
Kaifeng	**512**	386	33%	**69**	41	68%
Luoyang	**3,732**	2,246	66%	**432**	292	48%
Pingdingshan	**1,258**	516	144%	**232**	106	119%
Anyang	**4,734**	1,292	266%	**758**	301	152%
Hebi	**228**	1,022	-78%	**38**	221	-83%
Xinxiang	**2,941**	3,052	-4%	**446**	468	-5%
Jiaozuo	**1,673**	933	79%	**263**	173	52%
Puyang	**3,725**	838	345%	**600**	170	253%
Xuchang	**2,459**	2,071	19%	**343**	290	18%
Luohe	**1,287**	899	43%	**185**	153	21%
Sanmenxia	**971**	1,073	-10%	**156**	192	-19%
Shangqiu	**3,601**	1,987	81%	**473**	362	31%
Zhoukou	**5,546**	2,564	116%	**894**	500	79%
Zhumadian	**4,399**	2,008	119%	**882**	385	129%
Nanyang	**1,342**	1,007	33%	**156**	130	20%
Xinyang	**408**	394	4%	**93**	63	48%
Jiyuan	**1,060**	94	1,028%	**159**	17	835%
Total	**53,675**	30,415	76%	**7,433**	4,584	62%

(b) Newly Commenced Property Projects

As at 31 December 2018, the Company commenced the construction of 87 projects in total with newly commenced GFA of 13,619,000 sq.m., representing an increase of 35.6% compared with the target of projects commencement at the beginning of the year. The Company strengthened the efforts in market research and optimised product plans based on the geological distribution of customers and estimated sales. This helped the Company to further enhance its product competitiveness and market performance, and contributed to a safe and reasonable inventory structure.

Region	Project name	Principal use of property	Newly commenced GFA during the year (sq.m.)
Zhengzhou	Dengfeng Songyue Mansion	Residential	317,343
Zhengzhou	Gongyi CCRE Mall	Residential	53,831
Zhengzhou	Gongyi Spring Time	Residential	113,015
Zhengzhou	Blossom Garden	Residential	39,743
Zhengzhou	Financial Island	Commercial	387,309
Zhengzhou	Zhengxi U-Town	Residential	297,344
Zhengzhou	Spring Time	Residential	206,780
Zhengzhou	Jianye– Chengyuan (Movie Town)	Residential	189,411
Zhengzhou	Kaiyue Plaza	Commercial	230,205
Zhengzhou	Wulong Century New City	Residential	492,534
Zhengzhou	Tihome Jianye International City	Residential	955,359
Zhengzhou	Jianye – Art Mansion (Zhiyou Henan)	Residential	118,625
Kaifeng	Blossom Garden (Xiangfu District)	Residential	81,223
Kaifeng	Lankao Red World	Commercial	16,801
Kaifeng	Qi County Yipin Blossom Garden	Residential	91,968
Luoyang	Poly Champagne International	Residential	111,811
Luoyang	Dingding House	Residential	147,036
Luoyang	Code Two City	Residential	265,375
Luoyang	Sweet-Scented Osmanthus Garden	Residential	5,310
Luoyang	Huayang Fengdu	Residential	30,900
Luoyang	Technology City	Residential	127,721
Luoyang	Honorable Mansion	Residential	77,967
Luoyang	Yanshi Forest Peninsula	Residential	53,466
Pingdingshan	Eighteen Cities	Residential	207,881
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	169,869
Pingdingshan	Wugang CCRE Mall	Residential	29,496
Pingdingshan	Wugang Forest Peninsula	Residential	67,983

Region	Project name	Principal use of property	Newly commenced GFA during the year (sq.m.)
Anyang	Sweet-Scented Osmanthus Garden	Residential	187,025
Anyang	Jianye City	Residential	68,206
Anyang	Chinoiserie House	Residential	137,711
Anyang	Code One City	Residential	80,209
Anyang	Hua County Code One City	Residential	251,803
Anyang	Linzhou CCRE Mall	Residential	141,212
Anyang	Tangyin Forest Peninsula	Residential	152,594
Xinxiang	Hui County Spring Time	Residential	156,290
Xinxiang	Hui County Code One City	Residential	49,092
Xinxiang	Beverly Manor	Residential	151,958
Xinxiang	Spring Time	Residential	126,134
Xinxiang	Code One City	Residential	12,932
Jiaozuo	Bo'ai Spring Time	Residential	34,223
Jiaozuo	Spring Time	Residential	212,496
Jiaozuo	Chinoiserie House	Residential	208,651
Jiaozuo	Wen County Spring Time	Residential	119,468
Puyang	Jianye New City	Residential	163,455
Puyang	Chinoiserie House	Residential	306,703
Puyang	Tonghe House	Residential	300,169
Puyang	Code One City	Residential	106,517
Puyang	Zhenyuehui	Residential	73,251
Xuchang	Chinoiserie House	Residential	193,583
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	171,650
Xuchang	Changge Senyuan Eco City	Residential	89,481
Luohe	Sweet-Scented Osmanthus Garden	Residential	113,605
Luohe	Xicheng Peninsula	Residential	32,632
Sanmenxia	Jianye City	Residential	124,338
Sanmenxia	Honour Mansion	Residential	75,863

Region	Project name	Principal use of property	Newly commenced GFA during the year (sq.m.)
Shangqiu	Central Garden	Residential	229,384
Shangqiu	Blossom Garden	Residential	154,169
Shangqiu	Sky Mansion	Residential	123,097
Shangqiu	Xingfuli	Residential	128,512
Shangqiu	Headquarter Port	Commercial	108,052
Shangqiu	Yongcheng U-Town	Residential	83,354
Zhoukou	Fugou Jianye City	Residential	254,942
Zhoukou	Huaiyang Jianye City	Residential	210,168
Zhoukou	Luyi Jianye City	Residential	130,389
Zhoukou	Shangshui Yangcheng Courtyard	Residential	58,685
Zhoukou	Taikang Jianye City	Residential	65,221
Zhoukou	Xihua Jicheng Courtyard	Residential	58,019
Zhoukou	Jianye City	Residential	149,714
Zhoukou	Shiyue House	Residential	62,419
Zhoukou	Forest Peninsula	Residential	57,588
Zhoukou	Chinoiserie House	Residential	124,106
Zhoukou	Code One City	Residential	122,957
Zhoukou	Landmark	Residential	164,427
Zhumadian	Pingxing Jianye City	Residential	288,446
Zhumadian	Runan Jianye City	Residential	325,671
Zhumadian	Suiping Forest Peninsula	Residential	226,940
Zhumadian	Xiping Forest Peninsula	Residential	114,753
Zhumadian	Xincai CCRE Mall	Residential	122,381
Zhumadian	Zhengyang Jianye City	Residential	321,646
Zhumadian	Spring Time	Residential	252,483
Zhumadian	Eighteen Cities	Residential	145,315
Nanyang	Shilihushan	Residential	151,801
Nanyang	Fangcheng Dragon Bay	Residential	14,876
Xinyang	Gushi Jianye City	Residential	293,260
Jiyuan	Code One City North	Residential	53,459
Jiyuan	Blossom Garden	Residential	135,329
Jiyuan	Jianye City	Residential	159,880
Total			13,619,000

(c) Property Projects under Development

As at 31 December 2018, the Company had 118 projects under development with a total GFA of approximately 21,721,000 sq.m., including 16 projects under development in Zhengzhou and 102 projects under development in other cities of Henan Province.

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhengzhou	Dengfeng Songyue Mansion	Residential	317,343
Zhengzhou	Gongyi CCRE Mall	Residential	53,831
Zhengzhou	Gongyi Spring Time	Residential	278,294
Zhengzhou	Financial Island	Commercial	387,309
Zhengzhou	Xinmi Code One City	Residential	91,674
Zhengzhou	Zhengxi U-Town	Residential	549,382
Zhengzhou	Spring Time	Residential	206,780
Zhengzhou	Blossom Garden	Residential	617,499
Zhengzhou	Jianye– Chengyuan	Residential	189,411
Zhengzhou	Kaiyue Plaza	Commercial	230,205
Zhengzhou	Intelligent Palace	Residential	164,355
Zhengzhou	Wulong Century New City	Residential	491,131
Zhengzhou	Tihome Jianye International City	Residential	1,215,946
Zhengzhou	Jianye – Art Mansion	Residential	118,625
Zhengzhou	Xuhui Zhengrong Grand Mansion	Residential	221,307
Zhengzhou	Canal Courtyard	Residential	105,498
Kaifeng	Blossom Garden	Residential	81,223
Kaifeng	Chrysanthemum Garden	Residential	133,010
Kaifeng	Lankao Red World	Commercial	16,801
Kaifeng	Qi County Yipin Blossom Garden	Residential	91,968
Kaifeng	Tongxu Code One City	Residential	78,136
Louyang	Lingbao Forest Peninsula	Residential	30,091
Louyang	Dingding House	Residential	242,340
Louyang	Code Two City	Residential	304,085
Louyang	Sweet-Scented Osmanthus Garden	Residential	105,470
Louyang	Huayang Fengdu	Residential	30,900
Louyang	Technology City	Residential	127,721
Louyang	Honour Mansion	Residential	77,967
Louyang	Yanshi Forest Peninsula	Residential	102,438

City	Project name	Principal use of property	GFA under development (sq.m.)
Pingdingshan	Spring Time	Residential	92,900
Pingdingshan	Eighteen Cities	Residential	265,648
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	169,869
Pingdingshan	Wugang CCRE Mall	Residential	29,496
Pingdingshan	Wugang Forest Peninsula	Residential	128,085
Anyang	Sweet-Scented Osmanthus Garden	Residential	359,280
Anyang	Jianye City	Residential	257,692
Anyang	Chinoiserie House	Residential	153,403
Anyang	Code One City	Residential	140,609
Anyang	Hua County Code One City	Residential	386,424
Anyang	Linzhou CCRE Mall	Residential	141,212
Anyang	Tangyin Forest Peninsula	Residential	152,594
Hebi	Code One City	Residential	190,205
Xinxiang	Hui County Spring Time	Residential	156,290
Xinxiang	Hui County Code One City	Residential	109,485
Xinxiang	Beverly Manor	Residential	639,725
Xinxiang	Spring Time	Residential	126,134
Xinxiang	U-Town	Residential	79,173
Xinxiang	Code One City	Residential	193,241
Xinxiang	Commercial Street of Code One City	Commercial	14,266
Xinxiang	Changyuan Forest Peninsula	Residential	91,458
Jiaozuo	Bo'ai Spring Time	Residential	34,223
Jiaozuo	Spring Time	Residential	212,496
Jiaozuo	Central Garden	Residential	247,618
Jiaozuo	Chinoiserie House	Residential	208,651
Jiaozuo	Qinyang Spring Time	Residential	88,196
Jiaozuo	Wen County Spring Time	Residential	119,468
Jiaozuo	Xiuwu Forest Peninsula	Residential	58,002
Puyang	Jianye New City	Residential	212,946
Puyang	Chinoiserie House	Residential	314,327
Puyang	Tonghe House	Residential	254,220
Puyang	Code One City	Residential	214,935
Puyang	Zhenyuehui	Residential	73,251

City	Project name	Principal use of property	GFA under development (sq.m.)
Xuchang	Shenhou World	Commercial	14,218
Xuchang	Eco-City	Residential	57,357
Xuchang	Sweet-Scented Osmanthus Garden	Residential	86,597
Xuchang	Chinoiserie House	Residential	277,051
Xuchang	Code One City	Residential	34,870
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	226,817
Xuchang	Changge Spring Time	Residential	180,203
Xuchang	Changge Senzhiyuan Eco-City	Residential	89,481
Luohe	Sweet-Scented Osmanthus Garden	Residential	140,940
Luohe	Xicheng Forest Peninsula	Residential	251,774
Luohe	Code One City	Residential	25,060
Sanmenxia	Jianye City	Residential	124,338
Sanmenxia	New District Forest Peninsula	Residential	170,228
Sanmenxia	Code One City	Residential	87,556
Sanmenxia	Honour Mansion	Residential	75,863
Shangqiu	Central Garden	Residential	322,021
Shangqiu	Blossom Garden	Residential	154,169
Shangqiu	Hill Water Lake City	Residential	159,814
Shangqiu	Sky Mansion	Residential	123,097
Shangqiu	Xingfuli	Residential	128,512
Shangqiu	Headquarter Port	Commercial	108,052
Shangqiu	Yongcheng U-Town	Residential	159,075
Shangqiu	Zhecheng U-Town	Residential	37,324
Zhoukou	Fugou Jianye New City	Residential	254,037
Zhoukou	Huaiyang Jianye City	Residential	206,516
Zhoukou	Luyi Jianye City	Residential	397,623
Zhoukou	Shangshui Yangcheng Courtyard	Residential	58,685
Zhoukou	Shenqiu Jianye City	Residential	121,581
Zhoukou	Taikang Jianye City	Residential	65,221
Zhoukou	Xihua Central Garden	Residential	87,318
Zhoukou	Xihua Jicheng Courtyard	Residential	205,154
Zhoukou	Xiangcheng Jianye City	Residential	147,409

City	Project name	Principal use of property	GFA under development (sq.m.)
Zhoukou	Xiangcheng Spring Time	Residential	78,778
Zhoukou	Jianye City	Residential	149,714
Zhoukou	Forest Peninsula	Residential	130,522
Zhoukou	Chinoiserie House	Residential	206,692
Zhoukou	Shiyue House	Residential	189,152
Zhoukou	Code One City	Residential	122,957
Zhoukou	Landmark	Residential	164,427
Zhumadian	Pingxing Jianye City	Residential	226,222
Zhumadian	Runan Jianye City	Residential	325,671
Zhumadian	Suiping Forest Peninsula	Residential	348,416
Zhumadian	Xiping Forest Peninsula	Residential	185,733
Zhumadian	Xincai CCRE Mall	Residential	186,142
Zhumadian	Zhengyang Jianye City	Residential	321,646
Zhumadian	Spring Time	Residential	252,483
Zhumadian	Eighteen Cities	Residential	395,497
Zhumadian	The West Lake Villa	Residential	141,190
Nanyang	Fangcheng Dragon Bay	Residential	14,876
Nanyang	Shilihushan	Residential	151,801
Nanyang	Code One City	Residential	275,829
Xinyang	Gushi Jianye City	Residential	164,877
Xinyang	Jianye City	Residential	20,689
Jiyuan	Blossom Garden	Residential	209,095
Jiyuan	Jianye City	Residential	199,059
Jiyuan	Code One City North	Residential	104,900
Total			21,720,591

(d) Property Projects Delivered

As at 31 December 2018, the Company had 38 projects delivered in total with a total GFA of approximately 4,689,000 sq.m..

City	**Project name**	**Principal use of property**	**GFA delivered** (sq.m.)
Zhengzhou	Gongyi Code One City	Residential	105,347
Zhengzhou	Blossom Garden	Residential	299,583
Zhengzhou	Intelligent Palace	Residential	454,530
Zhengzhou	Wulong Century New City	Residential	494,004
Zhengzhou	Jiuru House	Residential	2,601
Zhengzhou	Tihome Jianye International City	Residential	836,117
Zhengzhou	Triumph Plaza	Commercial	112,111
Zhengzhou	Sky Mansion	Residential	186,866
Luoyang	Huayang Fengdu	Residential	121,380
Luoyang	Sweet-Scented Osmanthus Garden	Residential	20,534
Luoyang	Poly Champagne International	Residential	176,770
Luoyang	Wisdom Port	Commercial	33,200
Pingdingshan	Eighteen Cities	Residential	75,499
Pingdingshan	Wugang Forest Peninsula	Residential	42,674
Anyang	Jianye City	Residential	80,830
Anyang	Linzhou CCRE Mall	Residential	52,888
Anyang	Tangyin Forest Peninsula	Residential	22,440
Hebi	Code One City	Residential	90,975
Xinxiang	Beverly Manor	Residential	14,369
Xinxiang	Code One City	Residential	157,597
Xinxiang	Changyuan Forest Peninsula	Residential	67,667
Jiaozuo	Xiuwu Forest Peninsula	Residential	55,654
Puyang	Jianye New City	Residential	84,706
Puyang	Code One City	Residential	52,479
Xuchang	Code One City	Residential	182,889
Luohe	Xicheng Forest Peninsula	Residential	68,680
Luohe	Code One City	Residential	75,904
Sanmenxia	Lingbao Forest Peninsula	Residential	28,015
Sanmenxia	U-Town	Residential	87,672
Sanmenxia	Code One City	Residential	17,071
Shangqiu	Yongcheng U-Town	Residential	84,195
Shangqiu	Zhecheng U-Town	Residential	97,705
Zhoukou	Luyi Jianye City	Residential	60,972
Zhoukou	Luyi Mingdao City	Commercial	53,359
Zhumadian	Suiping Forest Peninsula	Residential	22,096
Zhumadian	Xiping Forest Peninsula	Residential	43,033
Zhumadian	Eighteen Cities	Residential	157,743
Xinyang	Jianye City	Residential	68,857
Total			4,689,012

2. *Hotels*

Hotel profile

Henan Jianye Zhizun Hotel Investment Co., Ltd. (河南建業至尊酒店管理有限公司), a wholly-owned subsidiary of the Company, is mainly responsible for brand management, design management, engineering management, opening preparation and operation management for all hotel projects of the Group. Currently, the Group has established strategic cooperation with various international well-known groups of hotel management, such as Marriott, InterContinental and Accor, under which five high-end hotel projects are in operation. Each of the five high-end hotel projects, namely Le Méridien Zhengzhou, Pullman Kaifeng Jianye, Holiday Inn Nanyang, Four Points by Sheraton Luohe and Aloft Zhengzhou Shangjie opened successively from 2011 to 2015. In addition, our brand new own-brand hotels, namely Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion, opened successively and was put into trial operation in 2018 respectively. Thus, our total investment in hotels has reached RMB4.1 billion. In the next 3-5 years, the number of hotels invested in Henan will increase to 10 with further development in the construction of the mega-service regime.

Le Méridien Zhengzhou

Le Méridien Zhengzhou is the first international brand hotel focusing on art, design and culture in central China. Adjacent to Zhengdong New District and Zhengzhou East Railway Station, the largest railway station in Asia, it only takes 10 minutes' and 28 minutes' drive to Zhengzhou International Convention and Exhibition Center and Xinzheng International Airport, respectively.

Located at No. 1188, Zhongzhou Avenue, Zhengzhou City, the hotel composes a complete integrated business district together with the surrounding shopping malls, restaurants and commercial office buildings. Modern art elements and local colors are integrated into the design of the restaurant, guest room and lobby in the hotel. The unique design and brand concept present you the distinctive Le Méridien Zhengzhou.

The hotel has a total of 337 deluxe rooms and suites, equipped with world-class facilities and a mix of classic design and fashion elements. The characteristic restaurant and bar will enrich your stay experience and provide you with splendid Chinese and international cuisines. The fitness center combining fitness, spa, swimming pool, yoga and jogging track, the sizeable pillarless banquet covering an area of 800 sq.m., and 8 multi-function halls, are all ideal places for you to relax and hold events.

Address: No. 1188, Zhongzhou Avenue (northwest corner of the junction of Zhengbian Road and Zhongzhou Avenue), Zhengzhou City
Tel: 0371-55998888

Holiday Inn Nanyang

Aloft Zhengzhou Shangjie

Located on the opposite of the District Government of Shangjie District, Zhengzhou City, Henan Province, Aloft Zhengzhou Shangjie is conveniently located, within only 50 minutes' and one hour's drive from Zhengzhou Railway Station and Zhengzhou Xinzheng International Airport, respectively.

The 16-floor hotel has 172 stylish, fresh and fun Aloft Cheerful Rooms (樂窩客房), including 8 deluxe Cheerful Suites (樂窩套房) and 2 accessible Cheerful Rooms. Besides, inspired by the 9-foot ceiling, velvety dreaming beds, Wi-Fi Internet service, 42-inch LCD TVs, oversized shower space with rain showers, and fragrant specialty coffee, the 3,698 sq.m. cool conference room and the sizeable banquet space, countless whimsies would spark here and there.

Address: No.101, Zhongxin Road, Shangjie District, Zhengzhou (opposite to the District Government of Shangjie District)
Tel: 0371-68136666

Holiday Inn Nanyang

Holiday Inn Nanyang is located in Nanyang, the ancient capital of China, which is famous for its natural fresh air and jade culture. Holiday Inn Nanyang is the first internationally renowned five-star hotel in Nanyang. Covering an area of 66,700 sq.m., the hotel has a favorable geographical location with pleasant garden landscape and a rippling lake.

The 353 guestrooms and suites are tailor-made for your luxury and comfort experience. The 1,000 sq.m. sizeable banquet hall offers banquet services to both local and international companies, with wireless Internet accessing to all areas of the hotel, including the fitness center and the swimming pool. Whether you are on vacation, planning a wedding or holding a meeting, Holiday Inn Nanyang is the perfect choice for you.

Address: No. 2000, Xinchen Road East, Wancheng District, Nanyang City
Tel: 0377-60218888

Four Points by Sheraton Luohe

Four Points by Sheraton Luohe is located by the west branch of Songshan Road, Yancheng District, Luohe City, adjacent to Luohe International Convention and Exhibition Center. It takes about 10 minutes' drive to the downtown and Luohe Railway Station, and only 90 minutes' drive to Zhengzhou Xinzheng International Airport.

The hotel has 244 warmly designed rooms, with the only international buffet restaurant in the city, namely The Eatery, a Chinese restaurant integrated with traditional and new Cantonese cuisine, namely Juweixuan (聚味軒), an indoor heated swimming pool, sauna equipment, a fitness center, chess rooms and a pillarless banquet hall, which can bring you infinite surprises of accommodation, catering and leisure.

Address: No. 6, west branch of Songshan Road, Yancheng District, Luohe City
Tel: 0395-2566999

Pullman Kaifeng Jianye

Embraced by the rippling surface of a lake, Pullman Kaifeng Jianye is located on the northwest side of the ancient city walls in downtown Kaifeng, within 10 minutes' drive from Kaifeng Railway Station and 50 minutes' drive from Xinzheng International Airport. The hotel covers a total GFA of approximately 43,836 sq.m. and a site area of approximately 58,300 sq.m., with the vegetation within city wall area remaining intact.

Pullman Kaifeng Jianye offers 186 guest rooms or suites and is a five-star resort hotel comprising business conference, food & beverage, accommodation, leisure and entertainment. The hotel is equipped with conference center, banquet center, all-day dining restaurant, Chinese restaurant, featured bar, lobby bar, executive lounge, gym, swimming pool, SPA, yoga room, indoor golf and other facilities to provide occupants with convenience and sense of superiority. The building is a post-modern architecture in Northern Song Dynasty style, adopting wood-like exterior finishing material to cast beautiful reflections in the blue waters.

Address: No. 16, Longting North Road, Longting District, Kaifeng City
Tel: 0371-23589999

Zhengzhou Jianye Sky Mansion

Zhengzhou Jianye Sky Mansion is located at the northwest corner of the intersection of Dongfeng East Road and Kangning Street with a site area of approximately 32,929.8 sq.m..

The project is featured as a high-end service apartment of the Group with a total of 302 rooms, ranging from single-family apartments to four-bedroom apartments. The apartment is equipped with all-day dining restaurant, Japanese Izakaya, gym center, children's play room and other facilities to provide occupants with safe, convenient, warm and comfortable living space.

Address: Block 9, 58 Kangning Street, Zhengzhou City
Tel: 0371-65686888

Yanling Jianye The Mist Hot Spring Hotel

Yanling Jianye The Mist Hot Spring Hotel is situated in Chenhuadian Town, Yanling County, Xuchang, Henan with a site area of 50,264 sq.m..

The hotel offers 51 guest rooms or suites and is equipped with all-day dining restaurant, Chinese restaurant, outdoor hot spring and pool, indoor swimming pool and pool, SPA, gym center, lobby bar, tea room, banquet hall and other facilities.

Yanling Jianye The Mist Hot Spring Hotel is a joint masterpiece of internationally renowned architects, namely Amata Luphaiboon and Twitee Vajrabhaya Teparkum. It was officially launched in 2018.

Address: North side of Huadu Avenue, Chenhuadian Town, Yanling County, Xuchang City, Henan Province
Tel: 0374-7968888

3. *Cultural tourism*

Cultural tourism sector of the Company is engaged in development and operation of real estate projects for cultural tourism principally located in historic cities in Henan Province, such as Zhengzhou, Kaifeng and Luoyang. Having been rich in history, culture and natural resources, it tells the "Jianye story of cultural tourism" in different style, forms and substance through theme park, tourist district and real scenery performance. As at 31 December 2018, the Company had 4 projects for cultural tourism, namely Jianye Huayi Brothers Film Town, Jianye "Unique in Henan（只有河南）", Zhengping Fang in Luoyang and Jianye Ivi 1895.

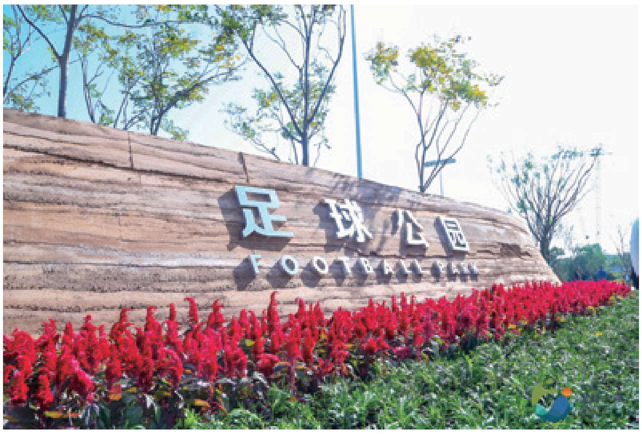
Jianye Huayi Brothers Film Town is the Company's strategic cooperation project with Huayi Brothers (Tianjin) Real Scene Entertainment Company Limited (the "Huayi Brothers") and one of the Type-A Key Construction Projects in Henan Province for 2017. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a planned total site area of approximately 1.33 million sq.m. and a total GFA of approximately 1.80 million sq.m. In the form of film scene and with an essence of historical culture and memory of the city, the project provides an experiential site for experiencing film culture incorporating tour of film scene, exhibition of film culture, film interactive games, folk and intangible cultural heritage experience, a series of large-scale performance, unique cuisine and themed inns. As at 31 December 2018, the first phrase of the project has been topped out, and the opening of the project was scheduled to be in 2019.

Unique in Henan is a large-scale acting and performance project co-developed with Wang Chaoge（王潮歌）, a director of real scenery performance, and is also one of the Type-A Key Construction Projects in Henan Province for 2018. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a total site area of approximately 600,000 sq.m.. Inspired by the long-standing and rich history and culture of Henan with innovated forms of performance, the project aims to reveal the rich Central China culture as well as the glorious Chinese culture through the combination of several dramas with outdoor scenes as well as functional spaces by making use of its unique architectural space, helping people understand the history and culture in multi-sensory approach. Unique in Henan will be developed as a contemporary themed drama park integrating acting and performance, exhibition and experience with the feature of Central China culture, custom and habit, as well as a perfect and innovative complex satisfying different needs for culture, arts, tourism and business. The construction land for the project was granted in August 2017. As planned, the construction of the project will be commenced in March 2018, and its opening is scheduled to be in 2020.

Zhengping Fang in Luoyang is a large-scale acting and performance projects co-developed with Wang Chaoge（王潮歌）, a director of real scenery performance. Zhengping Fang Cultural and Creativity Park in Luoyang is located at Ancient Capital of 13 Dynasties, Luoyang City, Henan Province, and its development is currently under good progress.

Jianye Ivi 1895 is a cinematic theme event venue for culture and leisure co-developed with Ivimovie Cultural Development Co. Ltd. The project pairs technology with culture, film with arts and vogue with leisure, and integrates film-viewing space, performing arts space, cultural creation space, reading space and technology space. Its products featured by "uniqueness and customization" will be shown at cinemas simultaneously, creating a site for diversified cultural and entertainment for consumers. As at 31 December 2018, three Jianye Ivi theatres were in operation in Zhengzhou, with another six franchise cinemas distributed in various cities in Henan. In 2018, the number of film watchers posted in the whole year of 2018 reached 240,000. Among the 71 Ivi theatres all over the country, three Jianye Ivi theatres ranked fifth, sixth and seventh respectively for the year. Moreover, since its opening, the synchronous hall in the MIXC theatre has repeatedly recorded the highest ticket purchase rate of members in Henan.

Daji Town



Football Town

4. *Green House*

CCRE's green houses are main body of the establishment and operation of CCRE's modern agricultural projects. As at the end of the reporting period, the Company had two green houses completed and in operation, namely Yanling Jianye Green House and Hebi Jianye Green House; one green house initially constructed and ready for visiting, namely Zhoukou Jianye Green House; one green house under development, namely Yichuan Jianye Green House; one green house the construction of which was commenced: namely Wuzhi Jianye Green House; two green houses in preparation: namely Nanyang Jianye Green House and Shangqiu Jianye Green House.

Yanling Jianye Green House

Yanling Jianye Green House is located in Yanling County, Xuchang City, less than 100 km from Zhengzhou City, with a site area of over 5,000 Chinese-mu. The project is equipped with intelligent gutter-connected glass greenhouse, multi-functional exhibition hall, technology research center and culture room for cut flowers as well as 3,000 Chinese-mu eco-tree seedlings, endeavouring to build a modern agricultural countryside complex zone concerning six highlights of "efficient agriculture, agri-tourism, cultural creativity agriculture, experience center agriculture, science popularization agriculture, and healthcare and well-being improvement agriculture".

The number of visitors of Yanling Jianye Green House was in excess of 800,000 in 2018, including provincial and city level officials, local and foreign experts and researchers in relevant areas, Jianye property owners and members of "Jianye Junlin Club".

In September 2018, Yanling Jianye Green House won the title of national 4A tourist attraction; in November 2018, Yanling Jianye Green House passed the acceptance of "Special Social Practical Education Base for Primary and Secondary Schools in Henan Province" and was officially licensed; in December 2018, Yanling Jianye Green House successively won the honorary titles of the "Municipal Leading Enterprise of Agricultural Industrialization of Xuchang City for 2019-2020" and the "Provincial Key Leading Enterprise of Agricultural Industrialization for 2019-2021".

The abovementioned achievements and honours represent the affirmation of the government and all sectors of society for the role of the Company in effective promotion of local industrial upgrading, farmers' prosperity and rural revitalization.

Hebi Jianye Green House

Hebi Jianye Green House is located at the urban-rural integration demonstration zone in Hebi City with a total site area of approximately 4,450 Chinese-mu. It is a countryside complex covering modern agriculture, leisure and tourism, and rural community. Hebi Jianye Green House is equipped with approximately 4,200 Chinese-mu of eco-tree seedlings, over 100 Chinese-mu of characteristic flower hill planting, 20,000 sq.m. of artificial lake and wedding lawn, and 60,000 sq.m. of intelligent gutter-connected greenhouse. Hebi Jianye Foodcourt has also been put into use and Chenzhai Flower Group, a China "Top 3 Enterprises" in respect of flower, settled in the project.

After three years of collaborative and innovative development, Hebi Jianye Green House has been successively rated as Leisure and Sightseeing Park of Henan Province by Henan Cultural Tourism Bureau, Provincial Key Leading Enterprise of Agricultural Industrialization of Henan Province by Henan Agricultural and Rural Affairs Department, and Hebi Agricultural Science and Technology Park by the municipal science and technology bureau; "Jianye Green House Qihe Ecological Conservancy Belt Project" was listed as a national comprehensive pilot project of energy conservation and emission reduction and "Jianye Green House Agricultural Complex Project" was listed as a key construction project of Henan Province. In addition, the Company has also undertaken provincial and municipal key projects including the municipal vegetable basket project. Hebi Jianye Green House proactively participated in poverty alleviation for agriculture and country, provided 2,000 science popularization education sessions benefiting over 50,000 people from universities, middle and primary schools, enterprises and institutions and offered over 1,000 jobs for local farmers. Thus, the Company was awarded the title of "Advanced Unit" with outstanding contributions.

Zhoukou Jianye Green House

Zhoukou Jianye Green House is located on the banks of the old canal in Xuwan Village, Xuwan Township, Dongxin District, Zhoukou City with a site area of 6,450 Chinese-mu and a planned total investment of RMB2 billion. The project covers modern eco-agriculture, old canal reconstruction and urban wetland restoration, leisure experience, cultural tourism, health and elderly care, etc. and integrates high-end flower, fruit and vegetable production, fine seedling and flower cultivation, culture mining of century-old shipping ferry, experience of special diet in Central Plains, urban wetland and riverside landscape belt along the old canal, folk wedding celebration photography base, etc. with a view to forming an urban countryside complex with an international leading and domestic first-class modern agricultural industry chain integrating "research and development, production, demonstration and experience".

Construction progress as at 31 December 2018: 1) the office and accommodation area of approximately 6,000 sq.m. has been put into use; 2) the intelligent gutter-connected greenhouse of 36,000 sq.m., the Netherlands tomato and Netherlands anthurium production area of 10,000 sq.m. have been put into use and the rest is still in the stage of business type research and program design; 3) the core landscape demonstration area of 200,000 sq.m. has been completed and in the stage of detail treatment; 4) the sports park of 20,000 sq.m. has been completed and put into use; 5) the experience agriculture demonstration park of 60 Chinese-mu has been completed and in the stage of detail treatment; 6) Jianye foodcourt has been basically renovated and opened as scheduled.

Yichuan Jianye Green House

Yichuan Jianye Green House is located in North of Zhangyao Village, Jiangzuo Town, Yichuan County, Luoyang City, with approximately 6,725 Chinese-mu and total investment amount of approximately RMB2 billion. The overall positioning strategy of the project is a countryside complex concerning six highlights of "modern agriculture, ecological leisure, cultural creativity, experience center, science popularization and healthcare", with maintaining sustainable development for protecting ecological environment as its basis and with development strategy focusing on "agricultural + cultural tourism + healthy", by establishing of "demonstration zone of modern agricultural complex + ecological culture protection + picturesque village + Jianye foodcourt". As at 31 December 2018, the temporary office premises had been completed and put into use. The project planning and design and construction of infrastructures including roads and pipe network in the park had been completed. 1 domestic leading four-storey intelligent gutter-connected greenhouse of 12,000 sq.m. and the main part of the lakeside properties of 1,400 sq.m. had been topped out. The main part of 2 flower forcing caves of 510 sq.m. and approximately 40% of the sightseeing cave of 630 sq.m. had been completed. The main engineering of phase I including the park gate and main landscape road were under accelerated construction; in the landscape lighting and forest form transformation, a total of approximately 26,000 ornamental seedlings including gingko were planted, contributing a green area of approximately 330,000 sq.m..

Wuzhi Jianye Green House

Wuzhi Jianye Green House is located in Jiayingguan Township, Wuzhi County, covering an area of 2,568.6 Chinese-mu and a total planned investment of about RMB1 billion. The proposed construction includes the Yellow River ancient road cultural exhibition area, the ancient and modern commercial and cultural complex, pastoral style hotel, pastoral high-end residence, comprehensive demonstration area of modern agriculture, and Jianye foodcourt. As at 31 December 2018, the project land transfer agreement, had been signed the overall concept design scheme, the foodcourt design and 70% of the construction drawings had been completed; the greenhouse scheme had been completed and was under joint examination; 80% of the scheme on the landscape concept scheme for the boot area had been completed.

Nanyang Jianye Green House

Nanyang Jianye Green House is located in Zhangying Village, Taxia Village and Xuzhai Village, Pushan Town, Wolong District, Nanyang City with a planned area of 4,500 Chinese-mu and a total planned investment of approximately RMB2.3 billion. The project is based on the good natural ecological environment in the field and integrates resources in terms of agriculture, forestry, paddy field, residence, mountain, spring, river, flower, grass, etc. On the basis of the cultural deposits formed by a number of native cultures including the unique Central Plains Chu culture, Han culture, medicine culture, water culture, religious culture, commercial culture, jade culture, academy culture, folk art culture, etc. of Nanyang, a countryside complex featured by "landscape and idyll, flower sea and herbal aroma, green forest and villeggiatura" integrating complex functions including eco-tourism, hometown cultural experience, high-end rehabilitation, health and vacation, themed leisure and entertainment, education and study on agricultural science and technology, creative agriculture experience, circular agriculture demonstration, industrial integration output, etc. will be built with flower as the main business supplemented by wormwood. As at 31 December 2018, the project was in the planning and design stage and the construction had not been officially commenced.

Shangqiu Jianye Green House

Shangqiu Jianye Green House is located in Renlou Village, Likou Town, Suiyang District, Shangqiu with a planned area of 3,000 Chinese-mu and a total planned investment of approximately RMB2 billion. The overall positioning strategy of the project is a countryside complex concerning six highlights of "modern agriculture, ecological leisure, cultural creativity, experience center, science popularization and healthcare", with maintaining sustainable development for protecting ecological environment as its basis and with development strategy focusing on "agricultural + cultural tourism + healthy", by establishing of "demonstration zone of modern agricultural complex + modern greenhouse + Jianye foodcourt". As at 31 December 2018, the Company had set up the project headquarters for Shangqiu Jianye Green House.

5. *Light-asset Model Projects*

On the basis of the intensive judgment of the development trend of the real estate industry by the Company and leveraged the impressive brand influence of CCRE in its target markets, the outstanding management team, the established product system and service system, the comprehensive capability of resources allocation and integration, the Company delivered its brands, management and capital, thus expanding its market share and enhancing its profitability, in order to accomplish the mission of "building quality houses for the people of Henan". In addition, the Company further consolidated its resources of quality lands, design, construction and other service, and constantly strengthened its capability of management, operation and providing services. The Company strove to build and share a comprehensive service platform for real estate development and operation and to establish a complementary, win-win, open and dynamic enterprise ecosystem, to enhance its comprehensive competitiveness and creativity.

Henan Zhongyuan Central China City Development Company Limited* (河南中原建業城市發展有限公司, hereinafter referred to as "CCRE Zhongyuan"), a subsidiary of the Company, is in charge of expanding and management of light-asset business and positions itself as a comprehensive service provider for real estate development. As at 31 December 2018, the Company has entered into contracts for 110 light-asset model projects in total with expected total GFA of approximately 16.62 million sq.m. according to those contracts. CCRE Zhongyuan is responsible for constantly formulating and optimizing standardised management principles and agreements, improving talent development program, partnership pairing up and evaluation mechanism, enhancing products and services supervision mechanism, and building resources integration and share platform.

Following the successful implementation of the light-asset model by CCRE Zhongyuan, we duplicated this model to the whole Henan Province, which further demonstrated the brand value of the Company and created a new situation where we transform from heavy-asset model to a model which achieves balance between the light and heavy-asset models. In order to ensure development during the transformation, CCRE Zhongyuan will carry out the light-asset business in a diversified way, enrich product contents, seek new growth points and enhance the share of light-asset segment in the contribution to the Company's profits in the long run.

(III) Land Reserves

As at 31 December 2018, the Group acquired land with a site area of approximately 5.48 million sq.m. through tendering, auction and listing and equity acquisitions, which newly added land reserves with a total GFA of approximately 13.51 million sq.m.. The Company had land reserves with a total GFA of approximately 46.08 million sq.m., including beneficially interested GFA of approximately 34.66 million sq.m..

1. *Land Tendering, Auction and Listing*

On 19 January 2018, the Group acquired the land use right of a land parcel (Zhengzhengchu No. [2017]95) located at Jinda Road North, Zhengzhou City in online tendering (listing) for sale process on the online exchange system organised by Zhengzhou City Land and Resources Bureau（鄭州市國土資源局）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB110 million. Zhengzhengchu No. [2017]95 land parcel has a site area of 13,851.12 sq.m. with a mandatory detailed planned plot ratio of 1.1-3.3.

On 31 January 2018, the Group acquired the land use rights of two land parcels (No. XCR-17087, XCR-17088) in Xincai County in online tendering (listing) for sale process organised by Xincai County Public Resources Trading Centre*（新蔡縣公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB31 million and RMB53 million respectively. Land parcel No. XCR-17087 has a site area of 28,673.98 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. XCR-17088 has a site area of 48,546.42 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 31 January 2018, the Group acquired the land use right of a land parcel (No. 2017-C-14) located at Jingkai Road East, Shengli Road North, Puyang City in online tendering (listing) for sale process organised by Puyang City Public Resources Trading Centre*（濮陽市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB93 million. Land parcel No. 2017-C-14 has a site area of 23,013.9 sq.m. with a mandatory detailed planned plot ratio of or less than 5.0.

On 1 February 2018, the Group acquired the land use right of a land parcel (No. A-01) located at Kaifa Second Road, Pingdingshan City in online tendering (listing) for sale process organised by Dadi Land and Resources Center, Pingdingshan City*（平頂山市大地國土資源中心）. The purchase price for the acquisition was RMB271 million. Land parcel No. A-01 has a site area of 94,239.72 sq.m. with a mandatory detailed planned plot ratio of or less than 3.0.

On 1 February 2018, the Group acquired the land use right of a land parcel (No. 411202001083GB00087) located at Daling Road West, Xiangchuan Road South, Sanmenxia City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB113 million. Land parcel No. 411202001083GB00087 has a site area of 23,306 sq.m. with a mandatory detailed planned plot ratio of 1.0-5.0.

On 7 February 2018, the Group acquired the land use right of a land parcel (No. LYTD-2018-01) located at Luoyang High-tech Zone in online tendering (listing) for sale process on the online exchange system organised by Luoyang City Public Resources Trading Centre*（洛陽市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB310 million. Land parcel No. LYTD-2018-01 has a site area of 45,893.33 sq.m. with a mandatory detailed planned plot ratio of and less than 3.2.

On 5 March 2018, the Group acquired the land use right of a land parcel (No. RN-2017-23) located at south of Runing Avenue, Runan County in a listing for sale process held by Zhumadian City Land Transaction Centre*（駐馬店市地產交易中心）for state-owned construction land use rights. The purchase price for the acquisition was RMB100.59 million. Land parcel No. RN-2017-23 has a site area of 59,346.42 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 8 March 2018, the Group acquired the land use right of a land parcel (No. 2017-157) located at Yuhang Road South, Xinglin Road East, Zhujiang Road North, Shangqiu City in online tendering (listing) for sale process organised by Shangqiu City Land and Resources Bureau（商丘市國土資源局）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB180 million. Land parcel No. 2017-157 has a site area of 54,519.329 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.3.

On 16 March 2018, the Group acquired the land use right of a land parcel (No. 2018-01A1) located at northeast of the Shuizhu Avenue and Junmingongjian Road, Hui County in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB211 million. Land parcel No. 2018-01A1 has a site area of 67,712.052 sq.m. with a mandatory detailed planned plot ratio of 1.5-2.2.

On 16 March 2018, the Group acquired the land use rights of three land parcels (No. 2017-026, 2017-028, 2017-027) located at the southeast corner of Songshan Road and Xiangyu Road, Gongyi City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB192 million, RMB262 million and RMB208 million respectively. Land parcel No. 2017-026 has a site area of 34,820.99 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2017-028 has a site area of 58,067.76 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2017-027 has a site area of 39,876.8 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 16 April 2018, the Group acquired the land use right of a land parcel (No. 2017-10) located at the east of Yingbin Road, south of Nanjing Road in tendering (listing) for sale process held by Yanshi City Public Resources Trading Centre*（偃師市公用資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB15 million. Land parcel No. 2017-10 has a site area of 7,925.35 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.37.

On 20 April 2018, the Group acquired the land use right of a land parcel (Shangtuwanggua No. 2017-77) extending in the west to Fushang Avenue and the collective land of Dongzhuang Village Committee, and in the north to Fangyu Road, Shangqiu City in tendering (listing) for sale process held by Shangqiu City Land and Resources Bureau（商丘市國土資源局）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB84 million. Shangtuwanggua No. 2017-77 land parcel has a site area of 27,458.28 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.8.

On 27 April 2018, the Group acquired the land use right of a land parcel (Zhengzhengchu No. [2018]58) located at the east of Xisanhuan, High-tech Zone, west of Beijing-Guangzhou Expressway, Zhengzhou City in online tendering (listing) for sale process held by Zhengzhou City Public Resources Trading Centre*（鄭州市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB416 million. Zhengzhengchu No. [2018]58 land parcel has a site area of 34,996.29 sq.m. with a mandatory detailed planned plot ratio of 1.0-5.133.

On 28 April 2018, the Group acquired the land use right of a land parcel (Xinjingkaituwangguagaozi No. [2018]3) located at Jingkai District, Xinxiang City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB184 million. Xinjingkaituwangguagaozi No. [2018]3 land parcel has a site area of 48,930.64 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 28 April 2018, the Group acquired the land use rights of two land parcels (Pugongdi No. 2018-03, Pugongdi No. 2018-04) extending in the east to Lanhai Road, and in the north to Huanghe East Road, Puyang City in online tendering (listing) for sale process on the online exchange system organised by Puyang City Land and Resources Bureau（濮陽市國土資源局）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB47 million and RMB111 million respectively. Pugongdi No. 2018-03 land parcel has a site area of 26,658.3 sq.m. with a mandatory detailed planned plot ratio of or less than 4.0; Pugongdi No. 2018-04 land parcel has a site area of 64,919.89 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 2 May 2018, the Group acquired the land use right of a land parcel (Yonggua No. 2015-42) located at the north of Yongsu Road, Yongcheng City in tendering (listing) for sale process held by Yongcheng City Public Resources Trading Centre*（永城市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB64 million. Yonggua No. 2015-42 land parcel has a site area of 36,924.45 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 4 May 2018, the Group acquired the land use rights of two land parcels (No. FGG-2018-09, FGG-2018-08) located at the east of Jiangjun Road, north of Hongchang Avenue, Fugou County in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB85.5 million and RMB160 million respectively. Land parcel No. FGG-2018-09 has a site area of 48,576.5 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. FGG-2018-08 has a site area of 59,126.4 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 7 May 2018, the Group acquired the land use rights of land parcels (No. YC-18-10#, YC-18-11#, YC-18-12#, YC-18-13#, YC-18-14#, YC-18-15#, YC-18-16#, YC-18-17#, YC-18-18#, YC-18-19# and YC-18-20#) located at Chenhuadian Town, Yanling County in online tendering (listing) for sale process organised by Yanling County Public Resources Trading Centre*（鄢陵縣公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB33.3 million, RMB39.3 million, RMB38.4 million, RMB36.4 million, RMB3.2 million, RMB5.6 million, RMB6.3 million, RMB22 million, RMB9.2 million, RMB4.6 million and RMB1.1 million respectively. The above eleven land parcels have site area of 262,845 sq.m. in total, in which land parcels No. YC-18-10, 11, 12, 13, 17, 19, 20# have mandatory detailed planned plot ratio of 1.0-2.0, while land parcels No. YC-18-14, 18, 16# have mandatory detailed planned plot ratio of or less than 0.6, 1.0 and 0.9 respectively.

On 23 May 2018, the Group acquired the land use rights of two land parcels (No. GT2018-08, GT2018-16) located at the west of the square in front of the station of Lankao County Railway Station in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB44 million and RMB35 million respectively. Land parcel No. GT2018-08 has a site area of 24,581.8 sq.m. with a mandatory detailed planned plot ratio of or less than 2.0; land parcel No. GT2018-16 has a site area of 20,197.8 sq.m. with a mandatory detailed planned plot ratio of or less than 0.62.

On 25 May 2018, the Group acquired the land use rights of land parcels (No. 1810, 1811) located at Jian'an District, Xuchang City in online tendering (listing) for sale process organised by Public Resources Trading Centre of Jian'an District, Xuchang City *（許昌市建安區公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB270 million and RMB248 million respectively. Land parcel No. 1810 has a site area of 43,517 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.0; land parcel No. 1811 has a site area of 40,611 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.0.

On 31 May 2018, the Group acquired the land use rights of seven land parcels (No. YC-17-27#, YC-17-28#, YC-17-29#, YC-17-30#, YC-17-31#, YC-17-32#, YC-17-33#) located at the south of Jianye Avenue, Mafang Town, Yanling County in tendering (listing) for sale process held by Yanling County Public Resources Trading Centre*（鄢陵縣公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB25 million, RMB26 million, RMB36 million, RMB38 million, RMB21 million, RMB22 million, RMB23 million and RMB22 million respectively. Land parcel No. YC-17-27# has a site area of 48,136 sq.m. with a mandatory detailed planned plot ratio of less than 1.5; land parcel No. YC-17-28# has a site area of 49,795 sq.m. with a mandatory detailed planned plot ratio of less than 1.5; land parcel No. YC-17-29# has a site area of 61,189 sq.m. with a mandatory detailed planned plot ratio of less than 2.0; land parcel No. YC-17-30# has a site area of 63,567 sq.m. with a mandatory detailed planned plot ratio of less than 2.0; land parcel No. YC-17-31# has a site area of 35,709 sq.m. with a mandatory detailed planned plot ratio of less than 2.0; land parcel No. YC-17-32# has a site area of 37,547 sq.m. with a mandatory detailed planned plot ratio of less than 2.0; land parcel No. YC-17-33 has a site area of 38,481 sq.m. with a mandatory detailed planned plot ratio of less than 2.0.

On 4 June 2018, the Group acquired the land use right of a land parcel (No. 2018-02) located at the east of Kejiao Avenue, Xiangfu District, Kaifeng City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB120 million. Land parcel No. 2018-02 has a site area of 70,719 sq.m. with a mandatory detailed planned plot ratio of or less than 2.5; Xinzhengchu No. (2017) 028 (Wang) land parcel has a site area of 44,256.27 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 5 June 2018, the Group acquired the land use right of a land parcel (No. WXGT2018-27) located in the northwest of the old town, adjacent to Sima Street in the west, Wen County in tendering (listing) for sale process organised by Wen County Public Resources Trading Centre* (溫縣公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB173 million. Land parcel No. WXGT2018-27 has a site area of 51,676.9 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 6 June 2018, the Group acquired the land use right of a land parcel (No. TD-G-20180504-009) adjacent to Longcheng Road in the north and Binhe East Road (Main Road) in the west, Fangcheng County in tendering (listing) for sale process organised by Fangcheng County Public Resources Trading Centre* (方城縣公共資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB145 million. Land parcel No. TD-G-20180504-009 has a site area of 41,078 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 30 May 2018, the Group acquired the land use right of a land parcel (Wuchu No. 2018-13) located at the west of the Government Building, Wugang City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB48 million. Wuchu No. 2018-13 land parcel has a site area of 37,479 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 8 June 2018, the Group acquired the land use right of a land parcel (No. ZK2018-24) located at the north of Guangming Road, west of Yucheng Road, Zhoukou City in online tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB502 million. Land parcel No. ZK2018-24 has a site area of 73,542.12 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 22 June 2018, the Group acquired the land use rights of land parcels (No. ZYCR-2018-016, ZYCR-2018-017) located at east of Qingshuihe Road, Zhengyang County in a listing for sale process on the online exchange system organised by Zhumadian City Land Transaction Centre, Henan Province (河南省駐馬店市地產交易中心) for state-owned construction land use rights. The purchase prices for the acquisitions were RMB43 million and RMB41 million respectively. Land parcel No. ZYCR-2018-016 has a site area of 38,828.6 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. ZYCR-2018-017 has a site area of 38,813.28 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0

On 25 June 2018, the Group acquired the land use rights of two land parcels (No. 2017-017, 2018-013 in Guotu (Wang) Gua 2018-4) located at west of Zhengxin Avenue, north of Changjiang Avenue, Pingyuan New District, Zhengzhou City in online tendering (listing) for sale process on the online exchange system organised by the Land and Resources Bureau under the Management Committee of Pingyuan New District, Xinxiang*（新鄉平原新區管委會國土資源局）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB204 million and RMB272 million respectively. Land parcel No. 2017-017 has a site area of 67,097.33 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-013 has a site area of 56,183.89 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 27 June 2018, the Group acquired the land use rights of land parcels (No. 2018-7, 2018-8, 2018-9) located at Nanhuan Road South, High-tech Industrial Development Zone, Jiyuan City in tendering (listing) for sale process held by Jiyuan City Public Resources Trading Centre*（濟源市公用資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB146 million, RMB138 million and RMB100 million respectively. Land parcel No. 2018-7 has a site area of 56,387 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-8 has a site area of 56,555.8 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-9 has a site area of 32,119 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 29 June 2018, the Group acquired the land use right of a land parcel (No. AYS-2017-48) located at the southwest of Pingyuan Road and Santai Street, Beiguan District, Anyang City in tendering (listing) for sale process on the online exchange system organised by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB168 million. Land parcel No. AYS-2017-48 has a site area of 36,778.12 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 5 July 2018, the Group acquired the land use rights of two land parcels (No. WG2018-05-7, WG2018-05-6) located at the east of Longshan Avenue, west of Guihuazong Twelfth Road, Ruzhou in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB63 million and RMB34 million. Land parcel No. WG2018-05-7 has a site area of 27,455.99 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. WG2018-05-6 has a site area of 33,122.8 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 7 July 2018, the Group acquired the land use right of a land parcel (No. JGT2018-2) located at the east of Jiaodong Road, south of Heping Road, Jiaozuo City in tendering (listing) for sale process on the online listing-for-sale system of Jiaozuo City designed for state-owned construction land use right and mining right*（焦作市國有建設用地使用權採礦權網上掛牌出讓系統）. The purchase price for the acquisition was RMB347 million. Land parcel No. JGT2018-2 has a site area of 51,490 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.98.

On 10 July 2018, the Group acquired the land use rights of land parcels (No. XH-201803) located at the south of Yingbin Avenue, east of Renhe Road, Xixia County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB231.4 million. Land parcel No. XH-201803 has a site area of 72,393.4 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.4.

On 13 July 2018, the Group acquired the land use rights of land parcels (No. G2018-04, G2018-05) located at Nanpu Health Industry Park, Changyuan County in tendering (listing) for sale process held by Changyuan County Land and Resources Bureau（長垣縣國土資源局）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB50.9 million and RMB102 million respectively. Land parcel No. G2018-04 has a site area of 25,916.83 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. G2018-05 has a site area of 51,802.05 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 23 July 2018, the Group acquired the land use right of a land parcel (Zhenggangchu No. [2018]123) located at south of Zhiyang Road, west of Dianzikeji second Street, Aviation Port District in tendering (listing) for sale process on the online exchange system held by the Public Resources Trading Centre of Zhengzhou Aviation Port Economic Integration Trial Zone*（鄭州航空港經濟綜合實驗區公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB439 million. Zhenggangchu No. [2018]123 land parcel has a site area of 38,903.8 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 24 July 2018, the Group acquired the land use right of a land parcel (No. SS2018-3) located at the Weiliu Road South, west of Provincial Highway 213, Shangshui County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB89 million. Land parcel No. SS2018-3 has a site area of 49,000 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 27 July 2018, the Group acquired the land use rights of two land parcels (No. BAGT2018-05, BAGT2018-06) located at the north of Fazhan Avenue, Beibucheng District, Bo'ai County in tendering (listing) for sale process on the Jiaozuo City Land and Resources Online Trading System*（焦作市國土資源網交易系統）held by Bo'ai County Public Resources Trading Centre*（博愛縣公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB109 million and RMB75 million respectively. Land parcel No. BAGT2018-05 has a site area of 60,000 sq.m. with a mandatory detailed planned plot ratio of or less than 2.2; land parcel No. BAGT2018-06 has a site area of 41,607.97 sq.m. with a mandatory detailed planned plot ratio of or less than 2.2.

On 30 July 2018, the Group acquired the land use right of a land parcel (No. 2018-012 in the Guotu (Wang) Gua 2018-6) located at the east of Jingxi Road, south of Danjiang Road, Pingyuan New District, Zhengzhou City in online tendering (listing) for sale process on the online exchange system organised by the Land and Resources Bureau under the Management Committee of Pingyuan New District, Xinxiang*（新鄉平原新區管委會國土資源局）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB40.1 million. Land parcel No. 2018-012 in the Guotu (Wang) Gua 2018-6 has a site area of 20,615.92 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 31 July 2018, the Group acquired the land use right of a land parcel (Pudi No. 2018-C-04) (east to the Guihua Qinghe Road, Puyang City) in a listing for sale process on the online listing-for-sale system of Puyang City designed for state-owned construction land use right and mining right（濮陽市國有建設用地使用權採礦權網上掛牌出讓系統）. The purchase price for the acquisition was RMB374 million. Pudi No. 2018-C-04 land parcel has a site area of 84,158.26 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 1 August 2018, the Group acquired the land use right of a land parcel (No. DT[2018]13) located at the north of Tuanbin North Road, west of Beijing Avenue, Dengzhou City in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB117 million. Land parcel No. DT[2018]13 has a site area of 29,528.2 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.5.

On 1 August 2018, the Group acquired the land use right of a land parcel (No. ZMDY-2018-1) located at northeast of intersection of Qianjin Avenue and Beiquan Road, Zhumadian City in tendering (listing) for sale process on the online exchange system held by Zhumadian City Land Transaction Centre (駐馬店市地產交易中心) for state-owned construction land use rights. The purchase price for the acquisition was RMB493 million. Land parcel No. ZMDY-2018-1 has a site area of 120,429.54 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.0.

On 2 August 2018, the Group acquired the land use right of a land parcel (No. LYTD-2018-23) located at the northwest corner of the intersection of Gaotie Avenue and Xiaowen Avenue, Yibin District, Luoyang City in tendering (listing) for sale process held by Luoyang City Public Resources Trading Centre* (洛陽市公用資源交易中心) for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB467 million. Land parcel No. LYTD-2018-23 has a site area of 74,049.57 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 9 August 2018, the Group acquired the land use rights of four land parcels (No. 2018-17#, 2018-18#, 2018-19#, 2018-20#4 in Changge City Wang Pai No.[2018]7) located at the east of Jianshe Road, south of Benma Road, Changge City in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province (河南省國土資源廳) for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB109 million, RMB106 million, RMB109 million and RMB110 million respectively. Land parcel No. 2018-17# has a site area of 31,245.83 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-18# has a site area of 30,539.72 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-19# has a site area of 31,338.18 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0; land parcel No. 2018-20# has a site area of 31,857.58 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.0.

On 10 August 2018, the Group acquired the land use rights of four land parcels (No. MJTD-2018-36, MJTD-2018-37, MJTD-2018-38, MJTD-2018-39) located at north of Lianhuo Expressway, west of Luoji Expressway, Mengjin County in tendering (listing) for sale process on the online exchange system held by Mengjin County Land Transaction Centre* (孟津縣地產交易中心) for state-owned construction land use rights. The purchase prices for the acquisitions were RMB27 million, RMB28 million, RMB34 million and RMB29 million respectively. Land parcel No. MJTD-2018-36 has a site area of 35,664.28 sq.m. with a mandatory detailed planned plot ratio of or less than 1.3; Land parcel No. MJTD-2018-37 has a site area of 36,809.41 sq.m. with a mandatory detailed planned plot ratio of or less than 1.3; Land parcel No. MJTD-2018-38 has a site area of 43,979.38 sq.m. with a mandatory detailed planned plot ratio of or less than 1.3; Land parcel No. MJTD-2018-39 has a site area of 38,269.07 sq.m. with a mandatory detailed planned plot ratio of or less than 1.3.

On 30 August 2018, the Group acquired the land use right of a land parcel (No. 2018-05A2) located at the southeast of Qingyuan Road and Shuizhu Avenue, Hui County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB124 million. Land parcel No. 2018-05A2 has a site area of 45,606.243 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.2.

On 10 September 2018, the Group acquired the land use rights of two land parcels (No. ZK2018-15, ZK2018-74) located at the east of Bayi Road, Chuanhui District, Zhoukou City in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB180 million and RMB284 million respectively. Land parcel No. ZK2018-15 has a site area of 40,144.6 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.0; land parcel No. ZK2018-74 has a site area of 52,401.7 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.0.

On 12 September 2018, the Group acquired the land use right of a land parcel (No. 2018-45) located at the west of Jianshe Road South Section, south of Wei'er Road, Taikang County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB63 million. Land parcel No. 2018-45 has a site area of 37,506.5 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 8 October 2018, the Group acquired the land use rights of three land parcels (Dengzhengchu No. [2018]12, 13, 24) located at the north of Yinghe Road, Dengfeng City in tendering (listing) for sale process held by Dengfeng City Public Resources Trading Centre*（登封市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB193 million, RMB213 million and RMB19 million respectively. Dengzhengchu No. [2018]12 land parcel has a site area of 56,113.92 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8; Dengzhengchu No. [2018]13 land parcel has a site area of 61,960.58 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8; Dengzhengchu No. [2018]24 land parcel has a site area of 9,597.47 sq.m. with a mandatory detailed planned plot ratio of or less than 0.6.

On 7 December 2018, the Group acquired the land use rights of land parcels (Dengzhengchu No. [2018]40, Dengzhengchu No. [2018]41) located at the south of Shaolin Avenue, north of Xiezishan, Dengfeng City in tendering (listing) for sale process held by Dengfeng City Public Resources Trading Centre*（登封市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase prices for the acquisitions were RMB49 million and RMB21 million respectively. Dengzhengchu No. [2018]40 land parcel has a site area of 22,289.8 sq.m. with a mandatory detailed planned plot ratio of or less than 1.0; Dengzhengchu No. [2018]41 land parcel has a site area of 9,534.68 sq.m. with a mandatory detailed planned plot ratio of or less than 1.0.

On 7 December 2018, the Group acquired the land use rights of two land parcels (No. WZGT2018-22, WZGT2018-23) located at the core section of Muluan New District, Wuzhi County in tendering (listing) for sale process on the online listing-for-sale system of Jiaozuo City designed for state-owned construction land use right and mining right*（焦作市國有建設用地使用權採礦權網上掛牌出讓系統）. The purchase prices for the acquisitions were RMB38 million and RMB92 million respectively. Land parcel No. WZGT2018-22 has a site area of 12,689.56 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5; land parcel No. WZGT2018-23 has a site area of 30,968.06 sq.m. with a mandatory detailed planned plot ratio of 1.0-2.5.

On 14 December 2018, the Group acquired the land use right of a land parcel (Zhengzhengchu No. [2018]146 (Wang)) located at Guancheng District, Zhengzhou City in tendering (listing) for sale process on the online listing system held by Zhengzhou City Public Resources Trading Centre*（鄭州市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB430 million. Zhengzhengchu No. [2018]146 (Wang) land parcel has a site area of 43,968.03 sq.m. with a mandatory detailed planned plot ratio of or less than 1.0.

On 20 December 2018, the Group acquired the land use right of a land parcel (No. LYTD-2018-43) located at north of Binhe North Road, Luohe District, Luoyang City in tendering (listing) for sale process held by Luoyang City Public Resources Trading Centre*（洛陽市公共資源交易中心）for transfer of state-owned construction land use rights. The purchase price for the acquisition was RMB511 million. Land parcel No. LYTD-2018-43 has a site area of 49,539.366 sq.m. with a mandatory detailed planned plot ratio of 1.0-3.9.

On 21 December 2018, the Group acquired the land use right of a land parcel (No. TK2018-58) located at the west of Jianshe Road South Section, Taikang County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB64 million. Land parcel No. TK2018-58 has a site area of 41,884 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 21 December 2018, the Group acquired the land use right of a land parcel (No. TK2018-55) located at the west of Jianshe Road South Section, south of Wei'er Road, Taikang County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB23 million. Land parcel No. TK2018-55 has a site area of 13,681.2 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

On 21 December 2018, the Group acquired the land use right of a land parcel (No. TK2018-47) located at the east of Yangxia Road, north of National Highway 311, Taikang County in tendering (listing) for sale process on the online exchange system held by Department of Land and Resources of Henan Province（河南省國土資源廳）for transfer of state-owned construction land use rights. The purchase price for the acquisition were RMB110 million. Land parcel No. TK2018-47 has a site area of 60,338.2 sq.m. with a mandatory detailed planned plot ratio of 1.0-1.8.

2. Equity Interest Acquisitions

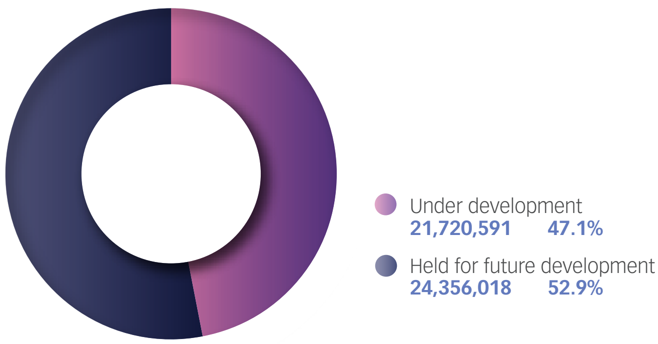
As at 31 December 2018, the Group acquired 30, in aggregate, land parcels with a total site area of 1,536,058 sq.m. in Zhengzhou City, Luoyang City, Zhoukou City, Anyang City, Nanyang City and Xuchang City by way of equity interest acquisitions.

3. Distribution of land reserves

(1) Distribution of the Company's land reserves by current development status

Fig: distribution of land under development and land held for future development in the Company's land reserves

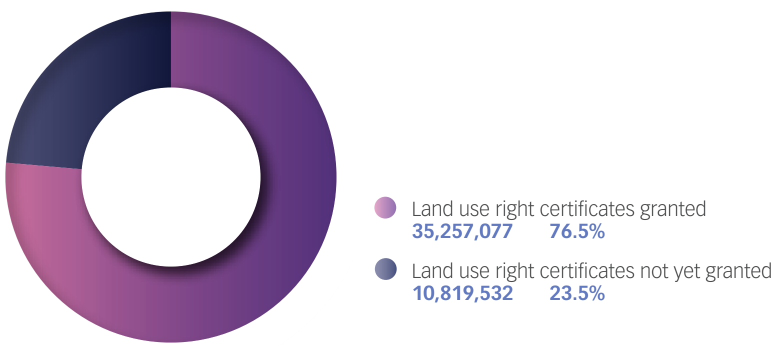
(as at 31 December 2018)



(2) Distribution of the Company's land reserves by land use right certificates

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted

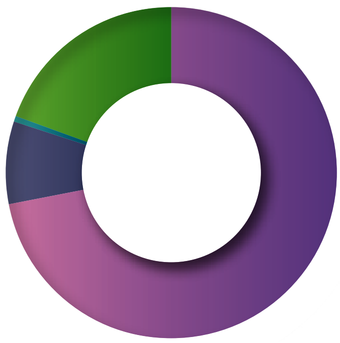
(as at 31 December 2018)



(3) Distribution of the Company's land reserves by property types

Fig: distribution of the Company's property types

(as at 31 December 2018)



Residential	33,213,657	72.1%
Commercial	3,624,882	7.9%
Hotel	288,880	0.6%
Others	8,949,190	19.4%

(4) Distribution of the Company's land reserves by cities

Fig: distribution of the Company's land reserves by cities

(as at 31 December 2018)

Zhengzhou	13,678,727	29.7%
Luoyang	3,491,625	7.6%
Sanmenxia	1,057,179	2.3%
Zhumadian	2,947,336	6.4%
Xinyang	859,155	1.9%
Nanyang	1,667,533	3.6%
Luohe	594,035	1.3%
Xuchang	2,333,640	5.1%
Pingdingshan	1,918,021	4.2%
Kaifeng	1,656,282	3.6%
Shangqiu	1,466,815	3.2%
Zhoukou	3,486,027	7.5%
Jiaozuo	1,499,207	3.3%
Xinxiang	3,010,707	6.4%
Jiyuan	740,139	1.6%
Anyang	2,264,676	4.9%
Puyang	2,327,379	5.1%
Hebi	190,206	0.4%
Sanya	887,920	1.9%

(IV) Product Research and Development

The Company always adheres to the general principles of serialisation, standardisation and commercialisation for product development, and has progressively achieved large-scale commercialisation on a concrete foundation of serialization and standardisation which the Company had laid for years. The Company always keeps developing highly competitive products with customers' experience as an essence and conducts research and development for product design and construction with the main notion of achieving "Green, Low-carbon, Energy-saving and Technology."

1. *Product Development and Serialisation, Standardisation and Commercialisation*

During the reporting period, the Company made greater efforts in new product innovation as well as research and development according to corporate strategy in addition to upgrading its existing products. It continued to refine and deepen the research of product serialisation and standardisation and conduct product innovation and computations according to the market condition, with particular focus on changes in market demand and the new lifestyle of customers.

Based on its product line system, the Company constantly deepened and improved the serialization and standardization construction of architecture, landscape and decoration centering on product line and product adaption. Meanwhile, the Company continuously refined the architectural design, and came out with products of wide and transparent living rooms with increased competitiveness through conducting research on customers' needs and by reference to changes in relevant design specifications in the industry.

The Company has completed the research and development of the series products of CCRE Mall, a small urban complex, and released the standardised architectural, decorative and landscape design files of the series. The construction of the series has been standardised in various aspects such as positioning, scale, form, materials and practices, accumulated technologies in investment, operation, planning, design, construction and other aspects for small urban complexes to be constructed in the future, and contributed to the increase in the brand values of the Company.

The Company optimised its "Platform for Product Standardisation, Design and Management" to regulate design and management procedures, compiling product data base and securing product quality by means of informatisation. Architectural design tools were enriched by promoting the use of leading BIM technologies in the industry, and the accuracy of design was thus improved. Meanwhile, adhering to the development concept of "Green, Low-carbon, Energy-saving", the Company incorporated the elements of green, health, technology and intelligence into product design to further show its meticulous care to customers.

As to the commercialisation of residential properties, on the basis of mature serialisation, standardised products series and long-term industrialised technology exploration, the Company researched and developed its technology standards, and applied the industrialised technologies in the design and construction of Luoyang Jianye Technology City, Puyang Jianye Tonghefu House, Shangqiu Jianye Blossom Garden and Xuchang Jianye Zhenyuehui. Promoting the application of industrialised technologies in projects demonstrates that the products of the Company has been marching toward an era of large-scale commercialization.

2. *Fully Decorated House*

The Company adheres to the development concept of “Green, Low-carbon, Energy-saving and Technology”, and formulated the “Product Planning System for Fully Decorated House of CCRE”, according to which the standards for renovation at each level have been established. Through the standardised management as required in the “Management System for Fully Decorated House of CCRE,” we completed the delivery of the fully decorated houses under Phase II of Zhengzhou Spring Time, Phase III of Zhengzhou Beverly Manor and Shangqiu Sky Mansion, which has enhanced customer satisfaction and gained market recognition.

Environmental Protection and Energy Conservation

To facilitate the development of green architecture and promote green life culture, the Company has formulated the Green Architecture Measures of CCRE in accordance with the Evaluation Standards for Green Buildings issued by the Ministry of Housing and Urban-Rural Development of PRC and the Evaluation Standards for Green Buildings of Henan Province, and issued the Green Manifesto of CCRE in 2010. We earnestly implement green building development plans by gradually using power-saving LED lights, water-saving spray irrigation, rainwater collection system, air-source energy heat pump, geothermal heat pump and other tools and technologies, thereby comprehensively improving the effectiveness of environmental protection and energy conservation for our corporate property projects. During the reporting period, eleven of our new projects, including Shangqiu Jianye Sky Mansion, Shangqiu Jianye Headquarter Port, Phase I of Zhumadian Spring Time, Phase VI of Zhengxi Jianye U-Town have successively passed the National Green Building Certification, of which 7 projects were rated as one star with certified GFA of 977,400 sq.m., and 4 projects were rated as two stars with certified GFA of 650,200 sq.m. We have hastened our footsteps in developing green buildings, our development strategies are also well recognised.

Waste and Emission Reduction

The waste generated in the course of the Company’s daily operation mainly includes construction waste, household trash and wastewater, and the emission of such waste always abides by national standards. For the disposal of waste, the Company always, pursuant to the requirements of relevant local authorities, conducts concentrated collection of construction and household waste and takes appropriate measures for recycling or disposal according to the waste category while household wastewater will undergo a precipitation process before discharged into municipal sewage network and the underground wastewater will be used for irrigation or be discharged into the municipal rainwater pipe network.

The Company fully understands that preventing waste from the source is essential for alleviating environmental pollution in the long run. To this end, the Company vigorously advances the industrialisation of property development and residential systems in Henan by setting up exemplary construction sites in various projects concerning industrialisation of property development and residential systems. The originally complex construction procedures are streamlined, changing the production processes by switching from distributive to concentrated interior design and centralizing the procurements and construction works performed, thereby reducing material consumption, waste emission, waste air and greenhouse gas emission and noise pollution, mitigating social costs. Meanwhile, the Company has established an environmental impact assessment mechanism in accordance with state regulations to assess the environmental impacts at all construction phases, and formulated the Emergency Response Measures to minimize the negative impact of construction projects on the surrounding environment. Next year, the Company will continue to step up its emission reduction initiatives and amend the waste management policy where needed in a bid to improve the effectiveness of waste reduction.

Product Responsibility

Thanks to our rigorous product research and development and product safety supervision procedures, the Company's construction projects have reached the industry's highest standards in terms of applicability, safety and weight resistance. The Company has formulated its product research and development system and product management policy pursuant to state regulations and industry standards, providing detailed guidelines on product design, repair, maintenance, testing and inspection with a focus on planning and design, house configuration, product landing, material check and equipment testing in order to exercise all round supervision on the design, production and construction processes.

1. Design

   According to regulatory plans, and taking into consideration of the market condition and its product lines, the Company designs projects in a scientific, reasonable and user-friendly way.

2. Approval

   Project materials are improved and submitted to meet all the requirements under the regulations and policies of relevant government authorities in relation to project construction.

3. Before Construction

   Construction drawings are reviewed by a professional cooperative institution to ensure compliance with national and industry standards.

4. Material Examination

   Suppliers of building materials are carefully chosen, and their certification files are strictly examined and are subject to a review by a professional cooperative manufacturer.

5. During Construction
An external consultant is engaged to closely monitor project construction and progress.

6. Project Acceptance
Before completion, relevant projects will be checked by and filed with relevant government authorities.

To meet the expectations and needs of our customers, the Company will contact relevant customers to conduct opinion survey, making sure that the issued are completely solved. Meanwhile, the Company will also collect relevant cases to study and summarise, aiming to prevent similar issues from happening again and further improve the quality of our products and services.

(V) Customer Service and Customer Relations

In 2018, after 26 years of accumulation and 3 years of exploration and development, the Company has formed a rich "Jianye+" ecosystem concerning people's well-being based on the framework of internal and external quality resources; and created a new lifestyle and happiness for our customers by providing personalised, customised and differentiated services and products.

During the reporting period, the Group focused on improving customer satisfaction, consolidated basic innovative services, and continuously improved product and service quality. The Company built the CCRE customer risk management system, and innovated and implemented "troubleshooting operation" to sort out the complaints from customers that may be involved in every stage of real estate development, and appropriate control actions and operation guidelines were formulated to effectively mitigate the risk of complaint; full-time 9617777 agents have been appointed to enhance the service capacity and professional level of the operators, in an effort to build a high-standard around-the-clock manual-operated call center in the industry; the 9617777 call system has been upgraded, with which more convenient and smooth services were provided to customers through access to the Group's large database to realize smart dispatch, time limit warning, WeChat customer service, return visit by way of questionnaire, SMS reminder, online worksheet processing and other service functions; acceptance approaches have been innovated and third party delivery assessment was introduced to conduct a comprehensive assessment of higher standards and requirements for the delivered projects, to ensure delivery of products satisfactory to property owners; concerns of customers have been sorted out to prepare a defect case base in the form of an atlas, namely, the 100+ Customer Concerns (《客戶痛點100+》), in a view to avoiding recurrence of similar problems and promoting the further enhancement of product standards and product quality; the "Improvement and Enhancement" campaign (琢玉行動) was further carried out to improve comprehensively the dwelling environment and dwelling quality of old communities; in addition to integration of internal and external resources, the large campaigns for large accounts organised by the Company included 10,000-people sporting carnivals, Jianye city run and Jianye life festival. Through a series of feasibility control measures, the Company continued to improve customer satisfaction and maintained its position as one of the outstanding enterprises in the real estate sector in terms of customer satisfaction.

BUSINESS OUTLOOK

1. The Macro-economic Landscape

In 2018, China's macroeconomic development was stable and progressive, with the preset targets satisfactorily accomplished and the quality of development continuing to improve. The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and is a crucial year for the mission of building a well-off society in an all-round way. Looking forward to 2019, the Chinese Government is to seize and make good use of the important strategic opportunities, insist on promoting high-quality development, carry on the supply-side structural reform as its principal task, concentrate its efforts and resources in fighting the "three tough battles" (i.e. controlling risks, reducing poverty and tackling pollution), strive to stimulate market vitality, demand potential and organic power, and coordinate the efforts in securing steady growth, advancing reform, optimizing structure, improving people's welfare, and preventing risks. China's macroeconomic policies are expected to strengthen the countercyclical adjustment, while its structural policies will aim to expedite the institutional and systematic construction, so as to maintain sustained and healthy economic development and overall social stability. It will carry on a proactive fiscal policy and prudent monetary policy, whereby the proactive fiscal policy should be strengthened for better effect, and the prudent monetary policy should be well balanced in strength. The term "strengthened" is reflected in the implementation of a larger scale of tax and fee reduction and a significant increase in the scale of the local government's special bonds, while "better effect" is reflected in the improvement on the efficiency in the allocation and use of the fiscal funds; the prudent monetary policy should be well-balanced in strength to maintain a reasonable and sufficient liquidity as well as a reasonable growth in the supply of capital, credit facilities and social financing, so as to offer more financial support to the private sector, and unblock the channel for the implementation of monetary policies. It is expected that China's macro economy will remain generally stable in 2019.

In 2018, the economic development of Henan Province was generally stable and progressive, maintaining a "stable, progressive, and satisfactory" trend. Looking forward to 2019, the provincial government will adhere to its new development theories while carrying on the supply-side structural reform as its principal task, unswervingly deepening the reform and opening up, and further stabilizing employment, financial market, foreign trade, foreign investment, domestic investment, and expectations. Efforts will be directed to increase effective investment and foster new growth drivers, so as to promote the high-quality development of the industrial zones, further reduce the operating costs of the business enterprises, increase the financial support to the real economy, increase supply of credit facilities, boost market demand, optimize the business environment, and stabilize social employment. It is expected that Henan Province will maintain a stable and healthy economic growth in 2019.

2. Property Market Outlook

In 2018, with the regulation and control over the real estate industry strengthened from both sides, i.e. the supply side and demand side, the market expectation has gradually returned to a rational level, and the effect of regulation has become evident, creating a favorable environment for the stable operation of the market and the smooth implementation of the regulation policies in the coming year. Looking forward to 2019, on the premise that the real estate market maintains its stable operation, the regulation policies will focus on achieving stability, especially stability in the land prices, property prices, and expectations. The government will continue to apply differentiated policies in different cities with specific guidance, aiming to underline the function of the city, maintain the continuity and stability of its policies, improve the housing supply structure, and curb speculation on real estate. It is expected that the whole real estate market of China will be under considerable pressure in 2019. Due to the effect of various factors such as economic growth, supply of currency and credit facilities, and policy regulation, the real estate market will show some signs such as high market volatility, stability in price and slow growth in new projects and investments. On the demand side, the regulation will be carried on to further stabilize the expectations. However, due to the inactivity in the market, the downward pressure on the area of commercial house sold in the third– and fourth-tier cities may eventually build up. On the supply side, the large-scale land reserve of the real estate developers will give a strong boost to the number of new projects to be launched, and their strategies of accelerating project turnover and sales proceeds collection will guarantee the continuous growth in new housing supply and in turn drive up the investment.

The urbanization rate of the regular residential population in Henan Province is lower than the national average by approximately 8 percentage points, while the growth rate of the area of commercial house sold is higher than the national average by approximately 4 percentage points, indicating that Henan Province is still in the process of high-speed urbanization, and there is huge room for the development of the real estate market. In 2019, the regulation of the real estate market in Henan Province will continue with better-targeted application of different policies in different cities, and the real estate market will continue to grow.

3. Business Planning

In 2019, the Company will continue to make greater vigor in land acquisitions and land development as well as the profitability enhancement of key regions with an aim to achieve substantial growth in scale. Meanwhile, creative marketing ideas will be explored to maintain a satisfactory annual performance of the Company, laying the Company a concrete foundation for sustainable and stable development.

1. *Construction Plans*

In 2019, the Company plans to commence the construction of a total of 144 projects or phases, with a GFA of approximately 13,976,061 sq.m..

City	**Project Name**	**Principal Use of Property**	**Total GFA** (sq.m.)
Zhengzhou	Gongyi Spring Time	Residential	201,282
Zhengzhou	Gongyi Chinoiserie Palace	Residential	87,504
Zhengzhou	Jianye – Chengyuan	Residential	116,667
Zhengzhou	Jianye – Art Mansion	Residential	346,440
Zhengzhou	Land Parcel Located at Northeast of Xinmi	Residential	76,528
Zhengzhou	Land Parcel Located at Southeast of Xinmi	Residential	152,816
Zhengzhou	Xinzheng Tianhuicheng	Residential	198,684
Zhengzhou	Zhengxi U-Town	Residential	305,317
Zhengzhou	Project of Zhengzhou J18	Commercial	324,042
Zhengzhou	Zhengzhou Beilong Lake Land No. 24	Residential	82,495
Zhengzhou	Zhengzhou Harbour Zone Land No. 123	Residential	129,786
Zhengzhou	Zhengzhou Blossom Garden	Residential	37,044
Zhengzhou	Zhengzhou Jianye Fuju-Huayuankou Intelligent Square	Commercial	92,833
Zhengzhou	Zhengzhou Jianye Fuju-Wulong Century New City	Residential	206,300
Zhengzhou	Zhengzhou Jianye Tihome-International City	Residential	690,565
Zhengzhou	Dengfeng Songyue Mansion	Residential	231,296
Zhengzhou	Zhengzhou Yingtaogou	Residential	141,996
Kaifeng	Kaifeng CCRE Mall	Residential	165,935
Kaifeng	Kaifeng Jianye Headquarter Port	Commercial	87,866
Kaifeng	Kaifeng Taihe House	Residential	145,497
Kaifeng	Lankao Music Town	Residential	273,319
Kaifeng	Project of Qi County Jingsan Road	Residential	79,960
Luoyang	Luanchuan Luanzhou House	Residential	199,199
Luoyang	Luoyang Binhelong House	Residential	235,798
Luoyang	Luoyang Dachengxiaoyuan	Residential	92,274
Luoyang	Luoyang Dingding House	Residential	155,596
Luoyang	Luoyang Jianye Technology City	Residential	87,835
Luoyang	Luoyang Longcheng Dongwang	Residential	151,477
Luoyang	Luoyang Honorable Mansion	Residential	20,424
Luoyang	Yanshi Forest Peninsula	Residential	36,966

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Pingdingshan	Pingdingshan Spring Time	Residential	230,394
Pingdingshan	Pingdingshan Eighteen Cities	Residential	43,377
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	147,637
Pingdingshan	Wugang Forest Peninsula	Residential	66,132
Anyang	Anyang Sweet-Scented Osmanthus Garden	Residential	58,691
Anyang	Anyang Jianye City	Residential	113,536
Anyang	Anyang Xingye Avenue	Residential	120,367
Hebi	Hebi Green House	Residential	81,383
Hebi	Hebi Qishuiguanlu	Residential	113,403
Xinxiang	Project of Fengqiu Huangchi Road	Residential	244,004
Xinxiang	Hui County Code One City	Residential	125,544
Xinxiang	Jianye Beverly Manor	Residential	294,436
Xinxiang	Xinxiang U-Town	Residential	4,875
Xinxiang	Xinxiang Chinoiserie House	Residential	519,960
Xinxiang	Changyuan Forest Peninsula Courtyard	Residential	187,259
Jiaozuo	Jiaozuo Zhenyuehui	Residential	141,514
Jiaozuo	Wuzhi Star Mall	Residential	132,356
Puyang	Puyang Industrial Park	Residential	132,453
Puyang	Puyang Jianye New City	Residential	4,613
Puyang	Puyang Jianye Landmark	Residential	147,860
Puyang	Puyang Chinoiserie House	Residential	333,715
Puyang	Puyang Code One City	Residential	34,265
Puyang	Puyang Zhenyuehui	Residential	142,689
Xuchang	Xiangcheng CCRE Mall	Residential	283,937
Xuchang	Yanling Eco-City	Residential	31,602
Xuchang	Yuzhou Spring Time	Residential	207,625
Xuchang	Changge Sweet-Scented Osmanthus Garden New City	Residential	252,107
Xuchang	Changge Forest Eco-City	Residential	96,518
Luohe	Luohe Sweet-Scented Osmanthus Garden West District	Residential	123,718
Luohe	Project Luohe Jinjiang Road	Residential	216,282
Luohe	Luohe Xicheng Forest Peninsula	Residential	93,861
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	63,937
Sanmenxia	Sanmenxia Honorable Mansion	Residential	91,980

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Shangqiu	Minquan Project	Residential	204,602
Shangqiu	Shangqiu Blossom Garden	Residential	141,407
Shangqiu	Sui County Project	Residential	77,017
Shangqiu	Yongcheng Project	Residential	199,981
Shangqiu	Yucheng Project	Residential	62,310
Shangqiu	Zhecheng Project	Residential	221,192
Zhoukou	Huaiyang CCRE Mall	Residential	90,639
Zhoukou	Shangshui Yangcheng Courtyard	Residential	20,976
Zhoukou	Taikang Jianye City	Residential	16,240
Zhoukou	Taikang Eco-City	Residential	95,604
Zhoukou	Taikang Xingfuli East Garden	Residential	128,754
Zhoukou	Xihua Jicheng Courtyard	Residential	30,590
Zhoukou	Zhoukou Jianye City	Residential	188,486
Zhoukou	Zhoukou Jianye Landmark	Residential	107,647
Zhoukou	Zhoukou Green House	Residential	206,175
Zhoukou	Zhoukou Shiyue House	Residential	35,490
Zhumadian	Project at the Cross of Dexin Road and Cheyu Avenue, Pingyu	Residential	298,809
Zhumadian	Pingyu Jianye City	Residential	8,165
Zhumadian	Xincai Jianye CCRE Mall	Residential	20,833
Zhumadian	Xincai Jianye Sweet-Scented Osmanthus Garden	Residential	151,720
Zhumadian	Zhengyang Jianye City	Residential	7,600
Zhumadian	Zhumadian Spring Time	Residential	226,696
Zhumadian	Zhumadian Zhenyuehui	Residential	282,451
Nanyang	Nanyang Longyue City	Residential	190,049
Xinyang	Gushi Jianye City	Residential	112,423
Xinyang	Huangchuan Project	Residential	124,412
Xinyang	Luoshan Project	Residential	90,000
Xinyang	Xi County Project	Residential	89,539
Xinyang	XinyangYinxiang Hushan	Residential	211,661
Xinyang	Xinyang Jianye City	Residential	235,513
Jiyuan	Jiyuan Code One City North	Residential	63,309
	Total		13,976,061

2. *Delivery Plans*

In 2019, the Company plans to deliver a total of 53 projects or phases, with a GFA of approximately 6,105,415 sq.m..

City	**Project Name**	**Principal Use of Property**	**Total GFA** (sq.m.)
Zhengzhou	Gongyi Spring Time	Residential	172,522
Zhengzhou	Zhengzhou Jianye Tihome-International City	Residential	337,276
Zhengzhou	Xinmi Code One City	Residential	63,238
Zhengzhou	Zhengxi U-Town	Residential	219,942
Zhengzhou	Zhengzhou Huayuankou Intelligent Palace	Residential	160,025
Zhengzhou	Zhengzhou Blossom Garden	Residential	324,446
Zhengzhou	Zhengzhou Fuli-Wulong Century New City	Residential	250,021
Zhengzhou	Zhengzhou Canal Courtyard	Residential	93,022
Kaifeng	Kaifeng Chrysanthemum Garden	Residential	130,115
Luoyang	Luoyang Sweet-Scented Osmanthus Garden	Residential	120,382
Luoyang	Yanshi Forest Peninsula	Residential	79,638
Pingdingshan	Wugang Forest Peninsula	Residential	29,187
Anyang	Anyang Jianye City	Residential	155,018
Anyang	Hua County Code One City	Residential	126,592
Hebi	Hebi Code One City	Residential	86,413
Xinxiang	Jianye Beverly Manor	Residential	149,336
Xinxiang	Qinyang Jianye Spring Time	Residential	86,919
Xinxiang	Xinxiang Code One City	Residential	103,057
Xinxiang	Changyuan Forest Peninsula	Residential	110,697
Jiaozuo	Jiaozuo Spring Time	Residential	22,898
Jiaozuo	Jiaozuo Central Garden	Residential	82,540
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,481
Puyang	Puyang Jianye New City	Residential	61,483
Puyang	Puyang Code One City	Residential	121,046
Xuchang	Xuchang Sweet-Scented Osmanthus Garden	Residential	135,188
Xuchang	Xuchang Chinoiserie House	Residential	71,234
Xuchang	Xuchang Code One City	Residential	32,574
Xuchang	Yanling Eco-City	Residential	28,162
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	69,965
Xuchang	Changge Spring Time	Residential	83,352

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Luohe	Luohe Xicheng Forest Peninsula	Residential	81,624
Luohe	Luohe Code One City	Residential	30,541
Sanmenxia	Lingbao Forest Peninsula	Residential	34,433
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	80,825
Sanmenxia	Sanmenxia Code One City	Residential	84,200
Shangqiu	Shangqiu Central Garden	Residential	80,073
Shangqiu	Shangqiu Hill Water Lake City	Residential	222,992
Shangqiu	Yongcheng U-Town	Residential	76,340
Shangqiu	Zhecheng U-Town	Residential	37,324
Zhoukou	Luyi Jianye City	Residential	271,744
Zhoukou	Shenqiu Jianye City	Residential	120,981
Zhoukou	Xiangcheng Spring Time	Residential	73,247
Zhoukou	Zhoukou Jianye Landmark	Residential	164,973
Zhoukou	Zhoukou Forest Peninsula	Residential	76,098
Zhumadian	Pingyu Jianye City	Residential	163,033
Zhumadian	Suiping Jianye Forest Peninsula	Residential	120,033
Zhumadian	Xiping Forest Peninsula	Residential	88,695
Zhumadian	Xincai Jianye CCRE Mall	Residential	104,662
Zhumadian	Zhengyang Jianye City	Residential	167,816
Zhumadian	Zhumadian Jianye Eighteen Cities	Residential	188,890
Nanyang	Nanyang Shilihushan	Residential	71,608
Nanyang	Nanyang Code One City	Residential	178,716
Xinyang	Xinyang Jianye City	Residential	25,798
	Total		6,105,415

RISK MANAGEMENT AND INTERNAL CONTROL

The Company clearly defines the authorisations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems.

The Company's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and to ensure the Company establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. The Board also monitors the management regarding the design, implementation and supervision of the risk management and internal control systems.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigating measures on other risks.

A Three Lines of defence system for risk management and internal control has been put in place, namely frontline defence in business operation, functional centralised defence in internal control department, and the independent oversight defence in the internal audit department. In order to enhance our risk management and internal control, each department is accountable for its daily operations, and is required to conduct regular self-evaluation on internal control and establish internal control team. The internal control team is responsible to regularly carry out spot check and improvement on the internal control guidelines, issue report on the internal control as well as work out remedies for inadequacies identified during internal control and independent audit, which are inspected and followed up by the internal audit department of the Company regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

The risk management systems of the Company are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Company regarding the effectiveness of the risk management systems of the Company.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Company, the internal audit function and external independent auditors in accordance with the procedures, and conducts a review and assessment on the effectiveness of the Company's risk management and internal control systems and procedures at least annually. The Board and the Audit Committee act pursuant to any opinion from the internal audit function and external auditors. They also reviewed the resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions and their training programmes and budget and were satisfied with their adequacy. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2018.

Investor Relations Report

Investor Relations Report

The Group highly values the relationships with investors, analysts, media and other stakeholders. The investor relations department of the Group actively participates in the communication in capital markets, striving to maintain highly transparent investor relations through timely and accurate information disclosure and proactive communication.

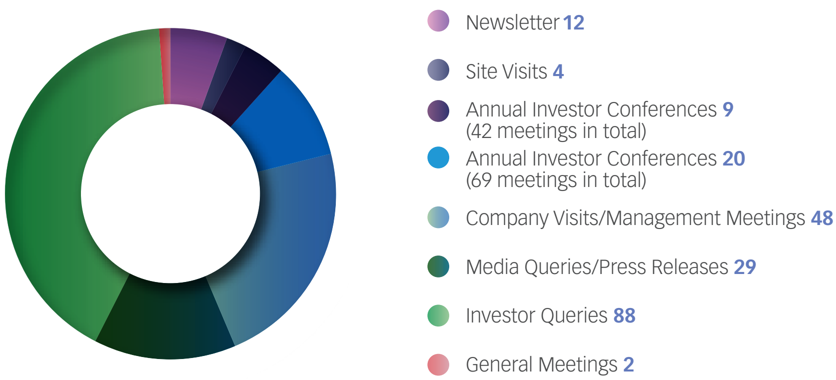
In 2018, the Group's investor relations department proactively held and participated in various investor relations activities, including interim and annual results announcements, site visits in Henan Province with investors or analysts, as well as post-results roadshows, non-deal roadshows (NDRs), reverse roadshows and domestic and foreign investor forums and seminars, etc in Hong Kong, Singapore, Beijing, Shanghai, Shenzhen, London, Tokyo and New York, etc, in order to broaden our investors base. The department also dedicated in maintaining open communication with investors, analysts, medium and rating agencies and updated them about the Group's latest business performance and development through various channels and activities, including company visits, tele-conferences, email communication, monthly corporate newsletters, press releases and voluntary announcements. All these provided investors sources of comprehensive knowledge and understanding of the Group's operating strategies, financial performance and prospects, also building up a channel conveying feedbacks and suggestions from capital markets. Interim and annual results reports, press releases, monthly corporate newsletters, monthly sales figures and announcements can be accessed at the Group's website and official wechat public account, which enables investors to get knowledge of the latest corporate development updates timely and conveniently.

MAJOR INVESTOR RELATIONS ACTIVITIES OF THE GROUP IN 2018

Date	Conference	Organizer	Location
5 January 2018	Asia Pacific Financials & Property Conference	BNP Paribas	Hong Kong
8 January 2018	dbAccess China Conference 2018	Deutsche Bank	Beijing
11 January 2018	Pulse of Asia	DBS Vickers Securities	Singapore
12 January 2018	Non-deal Roadshow	Standard Chartered	Singapore
18 March 2018	2017 Annual Results Investor Presentation	CCRE	Hong Kong
19 March 2018	Post Annual Results Management NDR	Bank of Merrill Lynch	Hong Kong
19 March 2018	Credit Suisse Asian Investment Conference	Credit Suisse	Hong Kong
20 March 2018	Post Annual Results Management NDR	DBS Vickers Securities	Hong Kong
21 March 2018	Post Annual Results Management NDR	Haitong International	Hong Kong
21 March 2018	Post Annual Results Management NDR	Deutsche Bank	Hong Kong
22 March 2018	Post Annual Results Management NDR	DBS Vickers Securities	Singapore
23 March 2018	Post Annual Results Management NDR	Standard Chartered	Singapore
26 March 2018	Post Annual Results Management NDR	Guotai Junan Securities	Hong Kong
19 April 2018	2018 Annual General Meeting	CCRE	Hong Kong
24 May 2018	Non-deal Roadshow	Changjiang Securities	Shanghai
30 May 2018	Extraordinary General Meeting	CCRE	Hong Kong
13 June 2018	Strategy Conference	First Shanghai Securities	Shenzhen
26 June 2018	Non-deal Roadshow	CCRE	New York

Date	Conference	Organizer	Location
27 June 2018	Mizuho Global REIT/Real Estate Conference 2018	Mizuho Securities	New York
22 August 2018	2018 Interim Results Investor Presentation	CCRE	Hong Kong
23 August 2018	Post Interim Results Management NDR	CCRE	Hong Kong
23-24 August 2018	Post Interim Results Management NDR	DBS Vickers Securities	Hong Kong
24 August 2018	Post Interim Results Management NDR	CCRE	Hong Kong
24 August 2018	Post Interim Results Management NDR	Bank of Merrill Lynch	Hong Kong
24 August 2018	Post Interim Results Management NDR	Morgan Stanley	Hong Kong
28 August 2018	Post Interim Results Management NDR	Deutsche Bank	Singapore
29 August 2018	Post Interim Results Management NDR	OCBC Bank	Singapore
29 August 2018	Post Interim Results Management NDR	CCRE	Singapore
26 September 2018	Credit and Equity Emerging Markets Conference 2018	JP Morgan	London
8 October 2018	Asian High Yield Credit Conference 2018	Bank of Merrill Lynch	Hong Kong
15-18 October 2018	CCRE Property Tour	CCRE	Henan
5 November 2018	Non-deal Roadshow	Nomura	Tokyo
8 November 2018	Asian High Yield Corporate Day 2018	Nomura	Hong Kong

Investor Relations Report in 2018 (times)



PROSPECTS

The Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, we will continue to improve the quality of investor relations management and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and cooperate governance. The investor relations department will maintain professionalism at its work so that capital markets will be able to gain a thorough understanding of the Group's business. This will help unlock the potential investment value and contribute to the long term and healthy development of the Group.

Environmental, Social and Governance Report

As the largest private enterprise in Henan Province, the Company not only has the ambition to cultivate a top real estate brand in China, but also strives to become a reliable life partner for Henan community and its public. Since its establishment 26 years ago, the Company has been seeking for a balance between business development and social responsibility. To this end, it strikes a balance among environment, society and governance while enhancing its corporate value in a dedicated effort to become a good corporate citizen honouring its social responsibility.

ECO-FRIENDLY CCRE

The construction of ecological civilization is the foundation for the sustainable development of the Chinese nation, and we Chinese People have always been respecting and loving nature. The Chinese civilization, which has lasted for more than 5,000 years, has fostered a prosperous ecological culture. In a prosperous ecosystem, there is a thriving civilization, and in a deteriorating ecosystem, there is a fading civilization.

CCRE has been living with a simple wish of "building quality houses for the people of Henan" as an effort to pay tribute to this holy land of Central China with a new lifestyle. It has been pondering about the way of life and living environment of the modern people, wishing to build "a place of irises and orchids" with its heart and soul. It has taken nearly everything into consideration, form a patch of land and a building to a drop of water and a ray of sunshine, when crafting its work.

CCRE, as it strides towards its thirties, is proudly writing a poem with its green architectural masterpieces to pay tribute to the land of Central China, it is an epic so freshening and magnificent that it can awaken this holy land. As a constructor who has witnessed and participated in the process of urbanization of Henan Province, CCRE has gone through the bitter history of Henan people's relocation and settlement.

In the middle and later stages of the urbanization process, urban diseases such as environmental pollution and resource shortage emerge in shocking waves, as a result of which there has been an inevitable trend to explore for a new path for urbanization and foster a low-carbon lifestyle and environment-friendly and centralized mode of city operation and production. As a new lifestyle service provider, CCRE insists on building green architectures and environments that exist in harmony with nature.

Building a Beautiful Green Home

Back in 2005, CCRE proposed a residential value featuring "harmony and health". At the beginning of 2010, Chairman Wu Po Sum further proposed to make our product concept known as "high-tech home, green home and low-carbon community" part of CCRE's corporate culture, and put it in the "Green Manifesto of CCRE"; meanwhile, CCRE joined hands with Henan Real Estate Association and the representatives from the mainstream real estate developers in Henan Province in launching the "Proposal on Low Carbon Real Estate Development in Henan", calling on the real estate developers and service providers in Henan to take quick actions with every detail taken into consideration and start building and selling green houses.

Numerous studies have shown that the production of building materials and construction equipment, as well as the construction and use of buildings will generate a huge amount of carbon emissions which is one of the main sources of greenhouse gases. As a new lifestyle service provider, CCRE quickly responded to the government's call, conscientiously performed its corporate social responsibility, and vigorously developed green buildings, striving to cultivate a healthy and green lifestyle for its customers.

Among the green residential properties that CCRE has developed in recent years are Zhengzhou Jianye Sky Mansion, Jiyuan CCRE Code One City, Shangqiu Jianye Eighteen Cities and Holiday Inn Nanyang, which put CCRE at the 13th place on the list of "Standard Ranking of 2017 China Green Real Estate TOP50 Index Report", and second on the "Standard Ranking of 2017 China Green Real Estate Operational Model Top 10".

In an environment where low carbon and environmental protection have become the keynote of the construction industry, CCRE closely followed the trend and employed advanced construction and ecological technologies to build green homes with which its customers can enjoy a comfortable life. CCRE has made itself a good example in vigorously promoting low-cost, replicable green buildings, and building comfortable, high-quality, and eco-friendly residential properties with full respect to the nature and this holy land.

CCRE's Green Houses

CCRE's Green Houses are strategically located across the province, which are committed to building up an integrated modern agricultural complex integrated with "R&D, production, demonstration and experience" and developing a leading domestic and international first-class modern agricultural full industry chain to provide customers with "safe, green, high-quality, exclusive" agricultural products and ecology leisure services.

Hebi Jianye Green House

Hebi Jianye Green House is located in the south of Hebi City, at the east of the middle route project of the South-to-North Water Diversion Project, east of Beijing-Guangzhou Expressway, and south of Qihe River, with convenient transportation and high-quality ecological environment. Such project focuses on agriculture theme and combines ecological agriculture and tourism: it is a large-scale modern agricultural tourism complex park integrating various functions, such as modern agriculture, tourism, leisure and entertainment, ecological picking, demonstration education and unique cuisine.

Currently, such Green House has completed various tourist spot, such as 13 intelligent gutter-connected greenhouses, artificial lake, wedding lawn, Jianye Foodcourt, colorful flower field, forest-flower beds and flower trading center.

Notwithstanding performance and achievements, CCRE's Green Houses are always focusing on environmental protection work and have formulated the environmental protection policy of "energy saving, consumption reduction, environmental risk elimination, low carbon and sustainable development", and established a series of strict environmental management objectives. On that basis, Hebi Jianye Green House implements environmental standardization management and environmental protection network management at three levels among company, departments and on-site management to ensure the implementation of environmental management policies and goals.

4,500 Chinese-mu natural oxygen bar

Since its establishment, Hebi Jianye Green House has built more than 500 Chinese-mu of core tourism area and more than 4,000 Chinese-mu of ecological conservation area one after another, which are comprehensively planned and managed by internal first class designers from Malaysia, and planted with more than 300,000 landscaping plants, including begonia, flowering peach, cherry, acer negundo, redleaf cherry plum and winter sweet and more than hundreds of flowers such as large flower rose, pink muhly grass, phlox subulata, plumarius, lagerstroemia, salvia farinacea and quince, to the effect of species diversity along the Qihe River and the enhanced density of negative oxygen ions in surrounding area, establishment of a natural plant oxygen bar, improvement of the living environment of the residents and the ecological microclimate, the latter of which have reduced the wind and sand in the spring and autumn, the enhanced physicochemical properties of the soil, adjustment of the traditional chemical pollution of the soil, and conservation of groundwater source, etc., all of the above have facilitated the ecological efficiency, increased farmers' income and sustainable economic and social development and wrote a moving chapter in harmony between human and nature.

To be a green enterprise

Cooperated with the companies like Dutch Priva and Ridder, Hebi Jianye Green House has built a 60,000 sq.m. of domestically leading with first-class technology and fully automated intelligent gutter-connected glass greenhouse, including the largest tidal fertigation seedbed in China and the world's most advanced application of soilless plant with automatic fertigation, recycling, disinfection and cycling utilization system, and the intelligent information management platform is based on modern agriculture and water-saving irrigation automation control technology, utilizing "big data, cloud computing, IoT, IntelliSense" technology, to comprehensively control and intelligently manage water and nutrients required for flower production, utilizing fertigation technology to achieve water-saving, fertilizer-saving, labor-saving, high-efficiency and high-quality effects. Clean energy is comprehensively used for the intelligent gutter-connected greenhouses. The heating supply employs a new gas-fired hot water boiler, and the power supply uses a photovoltaic power generation system for the purpose of minimizing air pollution caused by coal consumption.

Striving to develop cycling agriculture

Hebi Jianye Green House adopts a zero-emission planting and breeding mode: the agricultural facilities re-use the remaining eutrophic water into the lake farm to provide a high-quality growing environment for the algae, and the growing algae further becomes the best bait for the silver carp, the reutilisation through cycling would bring benefits to the enterprise; the domestic sewage generated in the living area is discharged into the self-built anti-seepage sedimentation tank through the sewage collection pipeline and then used as organic fertilizer to irrigate 3,000 Chinese-mu of nursery to improve the soil after fermented fermentation. Hebi Jianye Green House makes great efforts to promote the comprehensive utilization of agricultural waste resources, promotes the combination of planting and breeding, ecological cycling and green development, continuously improves and optimizes the agricultural ecological environment, and improves the sustainable development level of agriculture.

Establishing a sound environmental system and implementing the environmental responsibilities at all levels

Hebi Jianye Green House includes environmental protection work into its daily enterprise management work, and signs the "responsibility statement" with the production, discharge and treatment departments, implements the accountability system for assessment, and revises and improves the Company's guiding documents of the "Environmental Protection Management System (《環境保護管理制度》)", the "Environmental Protection Management Responsibility (《環境保護管理職責》)" and the "Clean Production Management System (《清潔生產管理制度》)", formulated the "Emergency Plan for Sudden Environmental Pollution Events (Accidents) (《突發環境污染事件(事故)應急預案》)" and a series of environmental control standards according to the current national and provincial environmental laws and regulations, to guarantee the normal operation of environmental protection facilities and main production facilities and set an environmental management model that is recognized by the society in accordance with national environmental laws and regulations.

Conducting environmental protection promotion and training and enhancing the environmental protection awareness among employees

Hebi Jianye Green House incorporates environmental protection training into its annual education and training program, and promotes environmental laws and regulations and environmental behavior codes through various publicity such as promotional showcases, OA office platform, reasonable suggestion collection, knowledge lecture and answer contest. Such training covers all employees. Through such training, the awareness of environmental protection laws and regulations, emission standards, the necessity of appropriate emission and the damage of uncontrolled pollution among all employees has been enhanced, and increases employees' sense of responsibility and conviction. Nowadays, "impacting the environment is crime, while treasuring the environment is to protect the homeland" has become the consensus of the employees in Hebi Jianye Green House.

A Green Supply Chain

The Group participates in the "Greed Supply Chain for PRC Real Estates Industry" jointly organised by SEE Conservation and the China Urban Realty Association. Officially kickstarted on 5 June 2016, the date of the World Environmental Day, the activity had over 70 participating entities pledging to manage its supply chain in accordance with a common procurement guideline and action plan in a bid to ensure green procurement and make the entire supply chain eco-friendly from raw materials sourcing, production processes and end consumption. As environmental efficiency and resource utilisation are enhanced, the relevant companies assume responsibility towards social development and environmental protection. The Group currently joins all four of the groups, namely the control group for steel and concrete and heavy pollution emission control, the task force for compliant wood sourcing, the control group for controlling formaldehyde emission by man-made wooden planes, and the group for chrome-free aluminium passivation.

Energy Conservation and Emission Reduction

In China, construction-related energy consumption accounts for about one-third of the total social energy consumption, and waste of energy is astonishing. Green building, as it involves energy saving in both the construction process and our daily life, demand saving of energy, water, land and materials to the greatest extent, therefore has great potential in environmental protection and energy saving. Sunshine, breeze and rain are, in the eyes of our designers, the gifts from nature to make our lives better, and making good use of them can not only save money for our customers, but also take better care of nature.

Energy-saving: Wall-mounted solar energy-powered devices can, in addition to serving the daily needs of our customers, reduce the use of traditional energies such as coal and electricity and improve the energy structure of our community. CCRE's green projects such as Hebi Jianye Code One City, Nanyang Jianye Forest Peninsula, and Shangqiu Jianye Eighteen Cities can even provide solar energy-powered water heating systems for all the residents. In the early stage of the architectural layout design, our designers took the local natural environments into careful consideration, for example, they would conduct lighting and ventilation simulation, so as to have their design better fitted into the natural surroundings. They have made full use of natural lighting and ventilation, while reducing the use of artificial lighting and air conditioning. In addition, the state-of-the-art LOW-E glass is also installed in our green buildings, which is able to reflect 80% of the infrared rays without affecting the normal lighting in the buildings, just like putting a thermal coat on those buildings. The multi-layer hollow glass can effectively isolate heat conduction inside and outside, keeping us cool in summer and warm in winter, which is perfectly environment-friendly. In terms of artificial lighting, T5 energy-saving lamps are widely used in Hebi Jianye Code One City. With highly-efficient ballasts, it can save more than 40% of the energy while providing the same lighting effect.

Water-saving: The water-saving technology also has been used in various aspects of the Company's green buildings. Hebi Jianye Code One City used high-quality valve accessories when installing the pipe networks, so as to avoid water waste caused by leakage and damage of pipe networks. A number of communities, such as Jiaozuo Jianye Code One City and Jiyuan Jianye Code One City have set up rainwater collection systems, through which the rainwater would be recycled and treated, then re-used for greenbelt irrigation, aquascape water replenishment and road cleaning for the communities, saving lots of tap water. Nanyang Jianye Forest Peninsula and Shangqiu Jianye Eighteen Cities have also set up two sets of rainwater collection systems, through which early stage rainwater would be discharged by rainwater flow equipment and only collect relative clean water at the middle and later stage. Some communities such as Zhengzhou Jianye Sky Mansion and Hebi Jianye Code One City have applied smart automatic water-saving spray irrigation technology on greenbelt irrigation, and effectively improved the utilization rate of water resources.

During the reporting period, the Group did not identify any non-compliance concerning emissions in the reporting scope.

Land-saving: When develops the buildings upwards, the Company also comprehensively weighs to develop them downwards. The design and application of underground garage, storage room and equipment room make the underground space really play a role in serving the happy life. The underground floor area to gross floor area ratio reported by Zhengzhou Jianye Sky Mansion reached 4.8:1. In addition, the application of stratified landscape greening improves the environment, purifies the air and also saves a lot of lands.

Material-saving: The application of new construction materials has also contributed to the energy saving and emission reduction for construction. The extensive use of high-strength steel bars saves steel consumption and greatly reduces carbon emissions from steelmaking. The ready-mixed mortar also saves lots of energy for construction on account of its good insulation feature, makes the building warm in winter and cool in summer. Compared with traditional concrete, the ready-mixed concrete used in green buildings has various advantages such as good quality, low material consumption and high work efficiency.

The comprehensive application of various kinds of energy-saving technologies can achieve the goal of energy saving and emission reduction to a greater extent. Hebi Jianye Code One City integrates green ecological technologies such as rainwater utilization, water-saving automatic false-spraying, and solar energy as a whole, saves the annual operating cost of approximately RMB200,000 and reduces the expenses of the property owners.

Environmental Protection

In addition to beautiful scenery in the four seasons, such as spring flowers, summer rain, autumn fruits and winter snow, the nature also brings the living environment with green mountains and green water, cool breezes and bright moon to human-beings. However, in recent years, people's requirements for the living environment have been pushed to the corner by reality and "no pollution" seems to be a luxury pursuit. The development of green buildings that can protect the environment and reduce pollution became a priority nowadays. The Company's designers start with the whole life cycle of green buildings and explore methods to avoid and reduce various types of pollution, targeting to provide people with healthy and comfortable use spaces and reduce the environmental hazards arising from construction.

Land site choice: At the time of choosing the land site for the architectural design, the Company's designer will avoid the danger sources like radiation hazard, fire, explosion and poison, ensure there are no buildings and equipment that are easy to produce smoke, gas, dust and noise within a safe range of parameters, as well as guarantee the harmony between construction and environment at the first step.

Dust prevention and noise reduction: During construction work period, in addition to the traditional dust prevention methods such as soil piles covering and wet cleaning operation, the application of ready-mixed mortar and ready-mixed concrete also effectively reduces particulate emissions, improves construction conditions and reduces air pollution. The green houses of the Company are mostly fully decorated, and the integration of construction and decoration can save construction materials and control the atmospheric pollutants simultaneously in whole process. Green building materials are used in the decoration process, while formaldehyde and volatile materials are prohibited, for the purpose of protecting people's health. In response to noise, the insulated glass with good air tightness is utilized to effectively isolate the noise. Shangqiu Jianye Eighteen Cities also installed a noise eliminator for the ventilation system of the underground garage, chose sound-absorbing materials, set up anti-shock equipment, in order to strictly control the noise. In respect of greening layout, stratified and stereoscopic green plants are able to absorb dusts and noise at the same time. In response to light pollution, except main attractions, Jiaozuo Jianye Code One City would not adopt large-scale floodlighting and use yellow light for whole district lighting, which protects the eyes and reduces white light pollution.

Waste logistics: At the later stage of operation, communities such as Jiaozuo Jianye Code One City and Jiyuan Jianye Code One City have established a waste management system, rationally planned waste logistics, and collected waste by category. Waste containers are installed in order, so as to avoid stench and germs caused by waste spoilage. Communities like Jiaozuo Jianye Code One City and Jiyuan Jianye Code One City also have equipped with corresponding anti-pollution operation procedures, which are strictly carried out by the property management team to ensure the implementation effect.

During the reporting period, the Group did not identify any non-compliance concerning emissions in the reporting scope.

It is liable to both property owners and ecological environment to control each aspect that may cause environmental pollution in the whole life cycle. As a local enterprise based in Henan, the Company's obsession of green building demonstrates its determination to pursue a corporate culture of highly unified economic and social benefits and to be a facilitator of "all-round social progress".

	National Green Building Certification (Design + Operation)									
Class	Before 2015		2015		2016		2017		2018	
	No.	Area *(10,000 sq.m.)*	No.	Area *(10,000 sq.m.)*	No.	Area *(10,000 sq.m.)*	No.	Area *(10,000 sq.m.)*	No.	Area *(10,000 sq.m.)*
Class 1	1	14.86	1	6.79	–	–	–	–	2	41.02
Class 2	2	26.00	3	55.81	3	78.84	2	48.48	4	55.16
Class 3	–	–	1	41.76	–	–	–	–	–	–
Total	3	40.86	5	104.36	3	78.84	2	48.48	6	96.18

Before 2015

Puyang Jianye Code One City (Phase 1), block 1-3 and 5-7, in the year 2013, 148,600 sq.m., One-star Green Building Design Label Certificate
Nanyang Jianye Forest Peninsula (Phase 1), in the year 2014, 137,700 sq.m., Two-star Green Building Design Label Certificate
Shangqiu Jianye Eighteen Cities (Phase 1), in the year 2014, 122,300 sq.m., Two-star Green Building Design Label Certificate

2015

Zhengzhou Jianye Sky Mansion, residential building, Three-star Design, 417,600 sq.m.
Nanyang Jianye Forest Peninsula (Phase 4 and 5), residential building, Two-star Design, 250,000 sq.m.
Hebi Jianye Code One City block 2, 3, 5 to 8, residential building, Two-star Design, 146,700sq.m.
Nanyang Jianye Triumph Plaza (Phase 2) apartment 10 and 18, commercial building, One-star Design, 67,900 sq.m.
Nanyang Jianye Triumph Plaza (Phase 2) office building 17 and 20, commercial building, Two-star Design, 161,400 sq.m.

2016

Jiyuan Jianye Code One City (15#-23#, 25#-33#, 35#), residential building, Two-star Design, 411,300 sq.m.
Jiaozuo Jianye Code One City, residential building, Two-star Design, 198,300 sq.m.
Xinxiang Jianye Code One City (Phase 1), residential building, Two-star Operation, 178,800 sq.m.

2017

Pingdingshan Sweet-Scented Osmanthus Garden (1#-3#, 5#-10#, 12#, 13#, 16#, 17#), residential building, Two-star Operation, 234,800 sq.m.
Nanyang Jianye Forest Peninsula (Phase 4 and 5), residential building, Two-star Operation, 250,000 sq.m.

2018

Shangqiu Jianye Central Garden (Phase 1) (1-3#, 5-9#), residential building, Two-star Design, 86,700 sq.m.
Shangqiu Jianye Central Garden (Phase 2) (10-12#, 16-18#, 20-22#, 25-27#), residential building, One-star Design, 212,800 sq.m.
Shangqiu Jianye Sky Mansion (1-3#, 5-11#), residential building, Two-star Design, 166,800 sq.m.
Shangqiu Jianye Headquarter Port (5-6#), residential building, Two-star Design, 122,300 sq.m.
Shangqiu Jianye Blossom Garden (2#, 5-12#, 15-16#), residential building, One-star Design, 197,400 sq.m.
Ruzhou Jianye Sweet-Scented Osmanthus Garden (1-3#, 6-13#, 15-16#, 28-30#), residential building, Two-star Design, 175,800 sq.m.

CCRE'S ROLE AS A CORPORATE CITIZEN

Corporate Social Responsibility

Two heights

The height of the city	to raise the standard of living and enhance the image of the city
The height of our strategy	to be a new lifestyle service provider

Four consistencies
Consistency between economic benefits and social benefits
Consistency between material pursuit and spiritual pursuit
Consistency between employers' interests and employees' benefits
Consistency between strategic objectives and implementation processes

Five promises
Promise to create a new name card for the city
Promise to create a new lifestyle for the local people
Promise to work with local developers to improve the city's construction standards and pay more taxes to the local government
Promise to blend in the city, and to be a dedicated propagator of the city

Six recognitions
Recognition by the government for trustworthiness, responsibility, and common development
Recognition by the experts for continuous innovation in products and services
Recognition by the employees for realization of corporate benefits and individual benefits
Recognition by the industry peers for brand reputation and market leadership
Recognition by the customer for quality of life and spiritual prosperity
Recognition by the shareholders for continuous profitability and steady growth

Rooted in Central China for 26 years, the Group adhered to the core value of "basing itself in Central China and promoting the welfare of its people". The Group is also vigorously practicing its corporate philosophy of repaying the society and promoting social progress in Henan, which has been its core value for 26 years. Just as what soil is to trees, society cultivates a business such that businesses are obliged to serve and repay the society in order to survive and proceed in its life cycle. Over the past 26 years, the Group has put this principle into practice in good faith, performed its role duly as a corporate citizen and continuously repaid the society in sports, education, culture, public construction and other aspects to promote the growth of Central China, which met with wide social recognition.

Committing to Building A Culturally Strong Province

"Only culture is classic" is what we learnt when summarizing our development in 2001. Looking back on its development history over the past 26 years, the Company has closely linked its corporate mission with the progress of social civilization and is determined to work hard for it. Central China is the birthplace of Chinese civilization. On this culturally rich soil, the Company has inherited the regional cultural characteristics of perseverance, richness, grandness and persistence. Over the past 26 years, the exchanges between the Company and the society have always been transmitted through culture, showcasing their mutual trust and understanding.

Key projects in fostering a culturally strong province

In October 2014, the Qishengjiao Folk Culture Street of the Central China Dongjing Menghua project, the first urban revitalization project in Kaifeng, which combines culture, commerce and tourism, was launched for the first time. On 8 May 2017, Premier Li Keqiang visited Huixian House, CCRE Banmu Garden of the Central China Dongjing Menghua project in the rain, and overlooked the ancient city to inspect the achievements of urban redevelopment in Kaifeng. Premier Li Keqiang pointed out that: "the restoration of the ancient city is a historical responsibility, and the improvement in the living environment in the old city is an urgent need, too. Either one cannot be neglected." Today, tourists can enjoy rafting in the Yuhe River of Kaifeng, feeling the time and space among the antiqued buildings, and admiring the resurrection of an ancient city which would never come true without the persistent commitment of the Company over the past 12 years.

In 2015, the Company and Huayi Brothers joined hands to create "Jianye Huayi Brothers Movie Town", the first comprehensive cultural tourism project in Central China, aiming to build a movie town with cultural differences as its theme and urban leisure as its core.

In 2017, the Company applied the spirit of optimal craftsmanship to present the "Shenhou Heaven & Earth Project" in the "only living" ancient town in China. It is committed to protecting and inheriting the enamel culture and retaining the cultural spirit of the ancient town with over 1,000 years' history with the antiqued architectural techniques, in order to reproduce the glory of history.

In September 2017, the "Jianye Daji Town（建業大集古鎮）" in Puyang was officially open to tourists, with all kinds of ancient traditional folk customs immersed in a strong rural complex. The Puyang Dongbeizhuang Acrobatics（濮陽東北莊雜技）, which has survived for a thousand years, has renewed vitality in Daji Town.

In October 2017, the "Unique in Henan Drama Magic City (《只有河南 戲劇幻城》)" project co-developed with Wang Chaoge, a famous director, was officially launched with an projected investment of RMB4 billion, which will become another masterpiece following the "Jianye Huayi Brothers Movie Town".

Only culture is classic. For over ten years, the Group has undertaken a number of cultural revitalization projects without considering return on investments. The meager return, despite huge investments, has never stopped the Company from reinventing classics and creating quality products.

In Pullman Kaifeng Jianye, the giant chrysanthemum lamp was amazingly crafted with 6,000 petals by the experienced craftsmen from the famous Czech handicraft workshop. The ceramic-cast front desk is the only piece of art in the world. In Yanling Jianye The Mist Hot Spring Hotel, the 40-meter crystal installation hanging downward in the lobby is a hand-made boutique lined up with 25,400 shining acrylic crystals by Thai craftsmen, which is unparalleled and as clear as crystals.

In 2018, Yanling Jianye The Mist Hot Spring Hotel won the Arichitizer A+Awards, known as the "Oscar Award for Architecture", and became the only award-winning hotel in Central China, filling the ancient land of Central China with fashion, culture and vitality.

These works of art and the elements of fashion and elegance have enhanced the taste of the city and taken the people of Henan to a new level of life.

Promoting delicious food in culturally strong Henan

Relying on the Jianye Modern Agricultural Complex project, Jianye Foodcourt is dedicated to creating a famous food cluster known as "Henan people's dining room serving various delicious Henan food" with local characteristics of Central China. The first Jianye Foodcourt was launched in the Qingling Jianye Green Base in 2015. With its guiding ideology of "excavating, protecting, inheriting, and illuminating" the traditional culture of Central China, the Jianye Foodcourt is committed to exploring industrial upgrading and the road to rural prosperity through the catering industrial chain, inheriting various traditional non-legacy snacks of Central China, which has not only increased economic benefits, but also achieved fruitful results in boosting employment.

Charity

The charitable activities of the Group are first manifested as its positive return to Henan. From 2010 to 2011, it made two donations of RMB13 million in total to help with urban public transport construction, and proactively supported Henan Provincial Next Generation Caring Foundation promoted and founded by the provincial party committee and government of Henan with total donations of RMB10 million over 10 years, reflecting its keen dedication to the development of its hometown.

With the support of the provincial development strategy in the early days, the Group's branches are spread in various cities and towns in Henan. In their own front lines, they not only strove to promote the city's reputation of splendid Chinese culture, but also continued to be deeply involved in local social public cause construction, with their footprints and sweat spreading all over the fields of culture, education, health, social security and public construction.

The public welfare undertakings of the Group were not confined within Henan. On the one hand, it has cooperated with domestic public welfare organizations with a more professional and focused attitude; on the other hand, it has also participated in more social welfare undertakings with a more positive attitude.

As one of the initiators of the "Society of Entrepreneurs & Ecology（阿拉善SEE生態協會）", the Group has continued to participate in and supported its related public welfare affairs since 2004.

History is a mirror through which we can see the past and the future. The "Entrepreneur Oral History Plan（企業家口述歷史計劃）" was promoted by the "Oral History（口述歷史）" project sponsored by Cui Yong Yuan Charity Fund（崔永元公益基金）under the Chinese Red Cross Foundation, which aims to objectively record the history of social development and inherit and accumulate spiritual wealth for the society. The Group donated RMB1 million to the fund in 2011 as an effort to support and actively participate in the charitable activities.

Charity has no national boundaries. In 2011, as a member of the Henan business circle, the Company donated RMB150,000 to the Seychelan embassy for purchase of musical instruments for its National Art Museum as a contribution to the Sino-Africa friendship.

In 2016, with the promulgation of the new Charity Law, China's charity work has strode into a brand-new stage of development, illuminating that China's charity has entered a new era where laws can be adhered to among an enlarged field of charity. Under the consensus of a new concept of large charity and after a research and discussion on specific areas, the Company decided to establish the Henan CCRE Sports Affair Development Fund specifically for the construction of sport stadiums in Henan, financing the erection of sport facilities in impoverished villages, building soccer playfields in primary and secondary schools in cities and villages, cultivating sport talents such as young footballers in Henan and promoting exchanges and development in sports in Henan, as an echo of our original intention in requiting our homeland as well as to show support for new forms of charity. A donation of RMB150 million was made in 2016 and 2017, respectively.

In 2018, the Group donated a total of more than RMB8 million in areas such as charity, public welfare and poverty alleviation.

Targeted Poverty Alleviation

"Persistently mobilizing social participation in poverty alleviation" is one of the connotations of taking the path of poverty alleviation with Chinese characteristics. When General Secretary Xi Jinping made important instructions on the first "Poverty Alleviation Day", he stressed: "the whole party and the whole society should continue to work together to form a strong synergy for poverty alleviation and economic development."

In 2002, the Group determined to implement its provincial development strategy and selected Puyang County, a provincial poverty-stricken county in Henan Province, as the first destination out of Zhengzhou for poverty alleviation. At present, the footsteps of the Group have penetrated into the cities, counties, townships, towns and villages in Central China, and actively responded to the calls of the party committees and governments at all levels and the Federation of Industry and Commerce, and actively participated in various activities including the "targeted poverty alleviation with joint effort of government and enterprises（政企聯合、精准扶貧）", "A thousand enterprises helping a thousand villages（千企幫千村）" and "Caring farmers with supports（愛心助農）" through industrial assistance, one-on-one assistance and other initiatives. It was not only devoted in urban construction, but also actively participated in the poverty alleviation campaigns by the way of "focusing on industrial poverty alleviation with charitable donations as a supplement ".

As at 31 December 2018, the Company has entered 36 poverty-stricken counties in Henan Province, such as Minquan, Suixian, Tuocheng, Yucheng, Yiyang and Lushi, participating in a total of 67 projects.

The Company actively donated money and goods to poor households based on the local needs of various poverty-stricken areas, and made special donations via governments and charitable institutions at various levels in different forms, e.g. sponsoring poor students with financial supports and making generous donations to solve the difficulties of farmers being unable to sell their agricultural goods. The Company has resolved to follow the pace of the communist party and government and do its part to the fight for poverty alleviation in Henan.

OPERATIONAL GOVERNANCE

As a bellwether in the real estate industry in Henan Province, the Company is dedicated to consolidating its long-established leadership, considers operational governance as a reform priority and focuses on improving management effectiveness and maintaining competitive advantage while actively diversifying from real estate to live up to its service commitment of "From the land of Henan, for the people of China".

Supply Chain Management

Supply chain management aims to optimize the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all the procedures that satisfying the end customers, including workflow, physical flow, cash flow and information flow, so as to accurately deliver suitable products to consumers at a reasonable price in a timely manner.

The supply chain management for property corporate represents a process of delivering residential systems to property owners by consolidating resources including all kinds of raw materials involved in property from up and downstream through labor practices and a series of operation and management. Our supply chain management focuses on two aspects: supplier management and materials supply.

Supplier management

Supplier management is essentially the management of partners, and a good partner ensures the successful launch of property projects. The Company ensures our partners' quality from the following three aspects:

Supplier qualification

The Company selects suppliers publicly, all of them can registrate the relevant information via the tender and procurement website of CCRE. We will conduct data review on suppliers based on our own needs, and organize site visits to suppliers in line with the requirements of the Group. The visit must involve three different departments who will determine their qualification by summarizing their respective final opinion, so as to ensure suppliers' quality.

Hierarchical management for Supplier

We manage suppliers hierarchically according to partners' value-added role and competitive strength in supply chain and divide them into four levels from high to low: namely strategic suppliers, excellent suppliers, qualified suppliers and trial suppliers. In respect to key categories (such as general contracting and external facades) that affect the quality and perception of property products, we will give priority to strategic suppliers that are familiar with the Company to ensure the rapid promotion of property development. At the same time, we will dynamically adjust our cooperation with suppliers by reviewing the supplier evaluation system. We grant specific privileges and rewards to strategic suppliers, while penalize suppliers that fail to meet the criterion of qualified suppliers to ensure the consistent high quality of suppliers.

Exploration and promotion of new technology partners

Property industry is also a highly competitive industry. The product identity has a direct impact on corporate's survival. With the proposal on the concept of the fourth generation house, almost all the property enterprises are facing the innovating dilemma. Therefore, whoever finds an available innovation point will be able to seize the market with clear product identity. The Company is actively seeking and exploring partners who have achieved certain success in smart buildings and smart communities. It also established Henan Soon Network Technology Co., Ltd.（嵩雲科技公司）to promote the implementation of related new technologies and to improve product identity.

Material supply management

As the property development project has a long construction period and requires complex technology, it involves a wide range supply of raw materials and different types of materials must be supplied at different times with quality and quantity, therefore, material supply management becomes a critical part of property supply chain management. The Company secures material supply management through the following three aspects:

Operation and management of procurement plan

The Company's operation and management department prepares operation plan according to the overall development process of the project when a land was obtained. The regional project engineering department and procurement department compile plans including materials, project approach and procurement involved in the entire development process according to the operation plan, and report the same to the bidding and procurement department of the Company. The procurement department classifies procurement for the corresponding material concentration in advance based on the plans submitted by the respective project department, in order to reduce procurement costs (for example, our procurement cost for elevators and SEPS decreased by 8% and 12%, respectively) and improve profit margins. Meanwhile, our partners are required to provide a clear and detailed materials and equipment production schedule, and immediate follow-up feedbacks to ensure that all kinds of materials and equipment approached on schedule and the project completed in time.

Quality control of material supplies

The quality of materials used in the construction has a direct impact on the reputation of our product, thus, the quality control of material supplies is of uppermost priority. The Company controls the quality of materials through both site acceptance and unannounced inspection on materials.

Site acceptance

All materials must be approved for acceptance by the engineering, design, supervision, cost-control, procurement departments before approaching. Each department must conduct a comprehensive acceptance and quality control on the materials in light of their respective professional properties.

Unannounced inspection

Suppliers should send a specific production schedule to the bidding and procurement department for record once the on-site supply notice was received. According to the production schedule, the bidding and procurement department will conduct unannounced inspection at the factory from time to time, to ensure the materials produced are in line with the Company's requirements and national regulations. Those tempted to cut corners will suffer a severe punishment to ensure the quality of material supplies.

Post evaluation mechanism for material usage

Due to the quality issues of the materials used in construction normally arises years later, the Company has set up a post-service evaluation mechanism to ensure a continuous and effective construction quality. Customer service department will regularly feedback consumer complaints to the design, engineering, bidding and procuring department of the Group, who will analyze attentively based on the complaints and offer a solution. Meanwhile, the design or procurement optimization will also be adopted to new projects to avert recurrence of similar issues.

From the above, the Company's supply chain management provides high-quality services and reasonable prices for the development of the Group, which achieves mutually beneficial and win-win results between supply chain and property industry.

Staff Care

Employee overview

As at 31 December 2018, the Group had 3,371 employees with an annual turnover rate of approximately 13.5%. The numbers of employees by age, education level and function are set out as below:

By age

Age	Number of employees
20–30	1,544
31–40	1,399
41–50	354
51–60	60
61 or above	14
Total	3,371

By education level

Education level	Number of employees
Master degree or above	420
Bachelor degree	2,135
Associate degree	739
Middle school or below	77
Total	3,371

By function

Function	Number of employees
Finance and costing	551
Engineering	696
Management	355
Design	258
Investment	163
Sale, marketing and customer service	724
Administration	409
Others	215
Total	3,371

In order to promote healthy competition among employees and motivate them to enhance work performance, as part of our remuneration policy, the Company has introduced a performance appraisal and rating system and determines individual bonus, salary adjustment and redeployment based on the appraisal results. Employees that meet certain performance criteria in the annual performance appraisal will have the opportunity for bonus, pay rise or promotion. Moreover, the Company also pays great attention to employees' career development, assists them in making career development plans according to their specialties and skills, and prioritises promotion of outperforming employees pursuant to the "Internal Competent Appointment Rules of CCRE (《建業集團內部競聘管理細則》)" in light of the fair promotion principle of "competence prevails".

Apart from employees' salaries and benefits, the Company also places emphasis on the internal workplace culture and thus always encourages employees to help and inspire each other so as to build a united and cohesive "Big CCRE Family". To this end, the Company founded the "Family Relief Foundation" with internal resources to offer support to employees in urgent financial needs, which fully embodies our spirit of solidarity.

At the same time, in order to fully motivate the Company's project operation team and improve project operation efficiency and investment benefits, the Company implemented a Project Partner Program, devoting itself to establishing a mechanism for mutual creating, undertaking and sharing between the Company and its employees.

Health and safety

The health and safety of employees is the cornerstone of the Group's development. The Group purchases social medical insurance for all employees and arranges an annual physical examination for employees to protect their physical and mental health. At the same time, Group organizes sports meet and other outdoor team-building sports activities. The Group is committed to creating a healthy and safe working environment to prevent accidents from occurring.

In order to improve the safe and civilized construction awareness of on-site management personnel, realize orderly, safe and civilized on-site construction and standardized safety and civilized construction standards, the Group formulated the "Safety and Civilization Construction Standard for Construction Sites of CCRE" (《建業地產建築工地安全文明施工標準》) which regulates containment and door, the appearance of the site, dust control, fire, pit and limb protection, scaffolding, safe electricity, construction machinery and other aspects. The Group also established a management system covering occupational health and safety management and employees, fire safety management as well as specific high-risk work management, aiming to minimize health and safety risks of employees.

Development and training

The Group arranges various types of training to help its employees improve their work skills and efficiency. Each employee can receive work-related training, and is encouraged to continue study and strengthen professional and management skills. Employees are offered paid-leave to participate in specific training organized by the Company and other benefits. Employees can also receive work-related training through an online learning platform.

Upholding the school mission of "Shaping the Mind, Enlightening Wisdom, Training Practice" (塑造心靈、啟迪智慧、訓練實踐), CCRE Academy (建業學堂) became a talent cultivating base of CCRE. During the reporting period, Xinghai Shanshi (星海山石), a talent project initiated by the Group with an aim of cultivating reserve cadres at all levels, has comprehensively covered all the training of reserve cadres at all levels. During the reporting period, the Group conducted employee satisfaction surveys after several training camps, and generally received good feedback from employees.

Employment system

The Group pays attention to enhancing employees' professionalism and professional quality, and advocates the value of building, bearing and sharing together. It is committed to shaping Jianye people's professional quality of accustomed to thinking, brave in bearing, diligent in learning, bold in innovation, good at cooperation, strict in discipline-abiding, apt at leading and unremitting in persevering. In order to standardize the recruitment management work. The Group has formulated the "Management Rules for Recruitment (《招聘管理細則》)", established a unified recruitment management standard system, and adhered to the principles of fairness and equity, standard operation, equal stress on integrity and ability, and merit-based admission. All applicants are required to go through fair competition according to the recruitment management system.

The Group strives to safeguard the interests of its employees and sets out arrangements for compensation and benefits, paid holidays, performance management, rewards and punishments, etc. in the standardized system module for the Smart Platform of Jianye. In addition to statutory holidays and benefits, the Company also provides holiday benefits, celebrations and various subsidies to employees. In addition, the Company has formulated the "Administrative Measures for Family Relief Funds (《親情救助基金管理辦法》)" to provide certain salvation to employees in difficulty and to convey love and goodwill.

Labor standards and employee interests

The Group strictly complies with laws and regulations, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and other laws and regulations, and establishes and improves relevant management systems to protects the rights of employees. The Group strictly prohibits child labor, and prevents it from occurring by examining identity documents during the recruitment process and onboarding process. Employees other than management personnel may be compensated base on their overtime hours or by means of temporary adjustment or overtime subsidy.

During the reporting period, the Group did not find any violation in relation to child or forced labor.

Anti-Corruption

The Company adheres to the promise of operating lawfully, insists on "no offering or receiving of bribery" in foreign cooperation, and cultivates internal corporate culture of fairness and transparency. The employees abide by its professional faith underpinned by "honesty, responsibility, integrity and focus".

The Company carries out focused campaign on corporate culture of fairness and transparency education regularly and thematic programmes on corporate culture of fairness and transparency from time to time to cultivate employees' service spirit of honesty and integrity.

The management of the Company has led the way to swear clean governance. On joining the Company, our employees have to sign agreements on clean governance. Meanwhile, a system of avoidance and declaration of interests has been set up to strengthen self-discipline. Moreover, partners are required to sign a cooperation agreement in respect of clean cooperation, so as to cooperate in good faith.

The Company improved its network, telephone, mail and mobile phone reporting channels, to encourage employees, customers and partners to whistleblow violations such as offering bribery, receiving bribery, fraud, etc., which shall face disciplinary action within the Company and be issued on China Enterprise Anti-Fraud Alliance for alerts after investigation and confirmation by commissioners.

Internal policies and guidelines were implemented to comply with the relevant anti-corruption laws and regulations.

Communication with Stakeholders

The trust and support of the stakeholders makes the foundation for the sustainable and healthy development of the Group, who regards the participation of stakeholders as an important governance mechanism. The Group has established a diversified communication mechanism, and has been actively engaged in multi-party communication with different stakeholder groups. It has also established a stakeholder participation mechanism that integrates the participants, topics of participation, and channels of participation.

Participants: the Group categorizes the participants into different groups: government, shareholders, employees, customers, environment, partners, society and the public, and carefully analyzes the interests and expectations of each of them.

Topics of participation: the Group determines the topics of participation for different participants based on the analysis of the interests and expectations of each group of participants.

Channels of participation: the Group has established a diversified communication mechanism to ensure efficient and two-way communication between the Group and the stakeholders on the topics of their interest.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. For the year ended 31 December 2018, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 14 to the Listing Rules with the exception of code provisions E.1.2 as addressed below.

Code provision E.1.2 — This code provision requires the Chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting.

Mr. Wu Po Sum, being an executive Director and the chairman of the Board and the nomination committee of the Company, was unable to attend the 2018 AGM as he was out of town for other business.

Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2018 AGM as he was out of town for other business.

In their absence, the other members of the Board, namely Ms. Yan Yingchun and Mr. Cheung Shek Lun, being a member of the Board, the remuneration committee and the nomination committee, attended the 2018 AGM and answered questions raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the year ended 31 December 2018.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Wu Po Sum, consists of three executive Directors and six non-executive Directors, three of whom are independent. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

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

Executive Directors
Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing
Ms. Yan Yingchun (resigned on 21 August 2018)
Mr. Wang Jun (appointed on 21 August 2018)

Non-executive Directors
Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors
Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Dr. Sun Yuyang (appointed on 8 January 2018)

Ms. Wu Wallis (alias Li Hua) is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 98 to 103 of this report.

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director.

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. In accordance with article 87 of the Article of Association, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Puah Tze Shyang and Mr. Xin Luo Lin will retire and, being eligible, will offer themselves for re-election at the 2019 AGM. Mr. Wang Jun was appointed as an executive Director on 21 August 2018 to fill a casual vacancy on the Board. In accordance with article 86(3) of the Article of Association, Mr. Wang Jun retired at the extraordinary general meeting held on 30 January 2019 and was re-elected by way of poll on the same day. All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2018.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the chairman of the Board (the "Chairman"), the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders. For the year ended 31 December 2018, the Board held 4 regular meetings, 6 ad hoc meetings and 3 general meetings.

The number of Board meetings, committee meetings and general meeting attended by each Director from 1 January 2018 to 31 December 2018 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	**10**	**2**	**2**	**3**	**3**
Mr. Wu Po Sum	9/10		2/2	3/3	1/3
Mr. Liu Weixing	10/10				0/3
Ms. Yan Yingchun	3/3				3/3
Mr. Wang Jun	7/7				0/0
Mr. Lucas Ignatius Loh Jen Yuh	10/10	2/2			0/3
Mr. Puah Tze Shyang	10/10				0/3
Ms. Wu Wallis (alias Li Hua)	3/10				2/3
Mr. Cheung Shek Lun	10/10	2/2	2/2	3/3	3/3
Mr. Xin Luo Lin	10/10	2/2	2/2	2/3	0/3
Dr. Sun Yuyang	9/9				0/3

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. No such advice was sought during 2018. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings to deal with such issues.

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to our businesses and have separate and independent access to senior management.

DIRECTORS' TRAINING

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, the Company Secretary regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials.

In addition, every newly appointed Director will receive an induction on the first occasion of his or her appointment, so as to ensure that he or she has a proper understanding of the operations and business of the Company, and his or her responsibilities under laws, regulations and especially the governance policies of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Wu Po Sum, and the position of Chief Executive Officer is held by Mr. Yuan Xujun. These two separate positions have clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Yuan Xujun, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the Corporate Governance Code, management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2018, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group clearly defines the authorisations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems. The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure the Group establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. The Board also monitors the management regarding the design, implementation and supervision of the risk management and internal control systems. The Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

A Three Lines of Defence system for risk management and internal control has been put in place, namely frontline defence in business operation, functional centralised defence in internal control and regulatory departments, and the independent oversight defence in the internal audit department. In order to enhance our risk management and internal control, each department is accountable for its daily operations, and is required to conduct regular self-evaluation on internal control and establish internal control team. The internal control team is responsible to regularly carry out spot check and improvement on the internal control guidelines, issue report on the internal control as well as work out remedies for loopholes and inadequacies identified during internal control and independent audit, which are assessed, inspected and followed up by the internal audit department of the Group regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigating measures on other risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the procedures, and conducts a review and assessment on the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The Board and the Audit Committee act pursuant to any opinion from the internal audit function and external auditors. They also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget and were satisfied with their adequacy. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2018.

DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders to be its goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the financial condition of the Group;
- the liquidity position and expected working capital requirements of the Group;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the retained earnings and distributable reserves of the Company and each of the members of the Group; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company.

Any final dividend declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting of the Company and must not exceed the amount recommended by the Board. The dividend policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific period.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties.

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Xin Luo Lin, Mr. Lucas Ignatius Loh Jen Yuh during the year ended 31 December 2018. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external independent auditors and to approve the remuneration and terms of such appointments;

- To review and monitor the independence and objectivity of the external independent auditors and effectiveness of the audit process in accordance with applicable standards;

- To review the Company's financial controls, risk management and internal control systems and other major financial matters;

- To review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;

- To ensure that the management has fulfilled its duties and the Group's strategic objectives to maintain an effective risk management and internal control systems;

- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and

- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee held two meetings during 2018 and conducted the following activities:

(i) reviewed the Group's financial results for the year ended 31 December 2017 and interim results for the six months ended 30 June 2018;

(ii) reviewed the audit plans and findings of the external auditor;

(iii) reviewed the internal control and financial matters pursuant to its terms of reference; and

(iv) made recommendation to the Board on the re-appointment of the external auditor and their remuneration.

Under the amendments to the Corporate Governance Code, the section of "Oversee of Risk Management Functions" was adopted into the audit committee's terms of reference and approved by the Board on 31 March 2016. The Audit Committee has reviewed the risk management and internal control systems of the Group as well as considered and identified risks of the Group subsequent to 31 December 2018 and will continuously monitor the systems on a regular basis.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any Issues arising from audit and any other matters the external auditor may wish to raise.

For the year ended 31 December 2018, the external independent auditors' remuneration to the Group's auditor in respect of annual audit and Interim review services provided to the Group amounted to approximately RMB4.08 million and RMB0.965 million. The remuneration to the local statutory auditors is set out in notes 4 to the financial statements. During the year, service fee to external independent auditor for the issue of US$300 million, US$386 million (including additional issue) and SGD150 million, in aggregate, Senior Notes (as defined below) and share issuance amounted to approximately RMB1.59 million in total.

The Company's annual results announcement dated 27 March 2019 for the year ended 31 December 2018 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 29 March 2012 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Nomination Committee), Mr. Cheung Shek Lun and Mr. Xin Luo Lin, a majority of whom are independent non-executive Directors.

The primary duties of the Nomination Committee include: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and to make recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company; (ii) identifying and nominating qualified individuals to act as Directors and to make recommendations to the Board regarding such matters; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the Chief Executive Officer; and (v) reviewing the Board Diversity Policy (as defined below), and the implementation of the progress targets set by such policy.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee held two meetings during 2018 and conducted the following activities:

(i) reviewed the nomination and the policy of the Directors;

(ii) reviewed the reappointment of Directors at the 2018 AGM;

(iii) assessed the independence of independent non-executive Directors; and

(iv) reviewed the revised terms of reference of the Nomination Committee.

The Company has adopted the Board Diversity Policy with effect on August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Nomination Committee, the Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Xin Luo Lin (the chairman of the Remuneration Committee) and Mr. Cheung Shek Lun, and the Chairman and an executive Director, Mr. Wu Po Sum, during the year ended 31 December 2018.

The primary duties of the Remuneration Committee include (but not limited to) (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the terms of the specific remuneration package of individual executive Directors and senior management; and (iii) reviewing and approving remuneration proposal by reference to corporate goals and objectives resolved by the Directors from time to time.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The entire Directors' remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee held three meetings during 2018 and conducted the following activities:

(i) reviewed the remuneration policy of the Group and Directors' remunerations; and

(ii) reviewed and approved the remuneration package of individual executive Directors and senior management.

To comply with the Listing Rules, Mr. Xin Luo Lin, an independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals Thereat

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

(1) One or more Shareholders 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 to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(2) The requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

(3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.

(5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, the Shareholder(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by him/her/them as a result of the failure of the Board shall be reimbursed to the shareholder(s) by the Company.

Proposals for Proposing a Person for Election as a Director

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose a person (the "Person") for election as a Director by lodging the following documents at the Company's place of business in Hong Kong at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:

(1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and

(2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

Procedures for Raising Enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy:

(1) Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

(2) Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary or the Chief Financial Officer whose contact details are as follows:

Central China Real Estate Limited
Room 7701B–7702A,
77th Floor, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong
Telephone: (852) 2620 5233
Fax: (852) 2620 5221
Email: general@centralchina.com

(3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The Company's Memorandum of Association and Articles of Association is available on both the websites of the Company and the Stock Exchange. There had been no changes in the constitutional documents of the Company during the year ended 31 December 2018.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published on the Company's website.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 68, is an executive Director, the Chairman of the Board and the founder of the Group. He is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of the Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director.

Mr. Wu has over 26 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the "Jianye" ("建業") brand name.

As the founder of the Group, Mr. Wu Po Sum actively participated in social public welfare undertakings while operating and managing corporate business. As at the end of 2018, he donated RMB22.8495 million in total personally.

In 2011, based on his recognition of the traditional Chinese cultural value of "enlightening the world with studies of humanism", he personally initiated the establishment of Benyuan Humanity Education Foundation（本源人文教育基金會）in Henan to promote the humanities education of China. In addition to financing an amount of RMB23 million for building the Children's Library of Henan Province in 2013, the Foundation has also donated Benyuan Community College, Benyuan Village Library and Benyuan Youngster Cultivation in the daily operations as its core public welfare projects, aiming to popularizing and promoting liberal education in urban communities, rural areas and universities. The aforementioned projects have gained wide social recognition and reputation and become a model for the construction of modern academies, which has aroused widespread concern among public welfare, traditional culture and education circles. In late 2016, in order to give back to his Alma Mater and boost the development of higher education in Henan Province, Mr. Wu Po Sum offered a ten-year donation totaling RMB100 million to the Education Development Foundation of Zhengzhou University. As at the end of 2017, Mr. Wu Po Sum personally donated a total of RMB24 million to the Foundation.

In 2017, Mr. Wu was invited to the selection of Golden Sunlight Public Welfare Awards of Henan Daily and was awarded the " Meritorious Person of the First (2017) Central China Social Responsibility" prize. Besides, the Benyuan Humanity Education Foundation in Henan sponsored by him was awarded the "Outstanding Nonprofit Organization of First (2017) Central China Social Responsibility".

Mr. Wu Po Sum received various awards in 2018. He was appointed as the "Deputy Director of the Advisory Committee of Industry and Commerce Association of Henan Province（河南省工商聯諮詢委員會副主任）", received the "Outstanding Contribution Entrepreneur of Henan（河南卓越貢獻企業家）" award at the "40 Years of Reform and Opening up of Henan（河南省紀念改革開放40年）" event organised by Henan Daily, and was awarded the highest accolade of a leading entrepreneur in the real estate industry in Henan at the "40 Years of Reform and Opening up, Development of Central China（改革開放四十年 中原城市大發展）" by Henan Province Real Estate Business Chamber of Commerce. Mr. Wu Po Sum also received the "Golden Camel Award" granted by the SEE Foundation for his significant contribution in promoting projects concerning environmental protection.

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Liu Weixing, aged 59, was an executive Director. He is also the chairman of Central China Real Estate Group (China) Company Limited, a wholly owned subsidiary of the Company. Mr. Liu has over 36 years of experience in banking and finance. He obtained a certificate of graduation in banking management from Henan Banking College*（河南銀行學校）in 1979, a certificate of graduation in financial management from Zhengzhou University in 1983, a master degree in economics from Henan University in 1998 and a certificate of graduation in law from Tsinghua University in 2005. Mr. Liu held positions of officer and vice division chief responsible for industrial and commercial credit facilities Luoyang Region Center Branch of People's Bank of China from 1979 to 1984. Mr. Liu held several positions in Industrial and Commercial Bank of China from 1985 to August 2016, including vice president of Luoyang Region Center Branch, vice president of Sanmenxia City Branch, officer of Henan Province Branch, assistant to president of Henan Province Branch, vice president of Henan Province Branch, president of Anhui Province Branch, president of Chongqing City Branch, president of Henan Province Branch and head of Internal Audit Department of Main Branch.

Mr. Liu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Yan Yingchun (resigned on 21 August 2018), aged 59, is an executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. She obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. Ms. Yan has over 25 years of experience in financial management. Before joining the Group in February 1992, she worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, Ms. Yan served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. She has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of Central China Real Estate Group (China) Company Limited since joining the Group.

Wang Jun, aged 38, was appointed as an executive Director of the Company on 21 August 2018. Mr. Wang has over 15 years of experience in the real estate industry and capital market. He obtained his bachelor's degree in English from Guangdong University of Foreign Studies in 2002 and his master's degree in Business Administration from Hong Kong University of Science and Technology in 2011. From 2003 to 2007, Mr. Wang served in PricewaterhouseCoopers Zhong Tian CPAs Limited Company with the latest position as a senior associate; from 2007 to 2011, he served as the head of investor relations and a senior manager of the finance department in Country Garden Holdings Company Limited; and from 2011 to June 2018, he served in Morgan Stanley Asia Limited with the latest position as an executive director.

Mr. Wang has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

NON-EXECUTIVE DIRECTORS

Lucas Ignatius Loh Jen Yuh, aged 52, is a non-executive Director and the vice-chairman of the Board. He is also a director of a number of subsidiaries of the Company.

Mr. Loh is the President (China & Investment Management) of CapitaLand Group, reporting to President & Group Chief Executive Officer, Mr. Lee Chee Koon. He oversees the business and growth of China as a core geographical market for the Group, as well as the expansion of the Group's investment management business and commercial portfolio.

Mr. Loh is concurrently the Chief Executive Officer of CapitaLand China, a position he held since 2014. As the Chief Executive Officer of CapitaLand China, Mr. Loh led the team to double China's return contribution to the Group, as well as achieve record residential sales and recognise the highest revenue from properties delivered in 2016. He also successfully completed and opened three Raffles City integrated developments spanning across more than 680,000 sq.m in GFA in 2017.

Prior to his appointment as Chief Executive Officer of CapitaLand China, he was the Deputy Chief Executive Officer cum Chief Investment Officer as well as Regional General Manager for South China, CapitaLand China. During then, Mr. Loh was instrumental in growing its integrated developments and residential businesses in South China. He was also responsible for the company's real estate financial business, including the Raffles City China Fund and establishment of the US$1.5 billion Raffles City China Investment Partners III.

Mr. Loh joined CapitaLand in September 2001 and has been based in China since August 2004. He also held several appointments within the Group, including Managing Director for China of The Ascott Limited. Mr. Loh also has extensive experience in the real estate sector where he started his career in 1991. Prior to joining CapitaLand, Mr. Loh was the Associate Director for Private Equity Investment at Temasek Holdings.

Mr. Loh obtained a Bachelor of Science in Estate Management from the National University of Singapore. He also holds a Master of Business Administration from Oklahoma City University and attended the Advanced Management Program at Harvard Business School in 2013.

Mr. Loh has interests in the shares and debentures of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Puah Tze Shyang, aged 46, is a non-executive Director. He is also a director of a number of subsidiaries of the Company.

Mr. Puah is the Chief Investment Officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"). CapitaLand China is a wholly owned subsidiary of CapitaLand Limited ("CapitaLand", together with its subsidiaries, "CapitaLand Group", one of Asia's largest listed real estate companies, headquartered and listed in Singapore). CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of the Company.

As CapitaLand China's Chief Investment Officer, Mr. Puah is responsible for CapitaLand China's real estate investments, asset management and investment platforms. The investment platforms include the Raffles City China Fund, CapitaLand China Development Funds, CapitaLand Township Funds and Raffles City China Investment Partners III, with combined capital commitments of US$3.7 billion. Mr. Puah is an alternate council member for the Singapore-Sichuan Trade and Investment Council (SSTIC). He had previously served as alternate council member for the Singapore-Liaoning Economic and Trade Council (SLETC).

Mr. Puah joined Surbana Corporation Pte Ltd ("Surbana Corporation") in July 2003. Surbana Corporation became known as CapitaLand Township Holdings Pte. Ltd. ("CapitaLand Township") after CapitaLand acquired a 40% stake in it in July 2011, and CapitaLand subsequently raised its stake in CapitaLand Township to 100% in March 2015. From 2010 to March 2015, Mr. Puah was the Chief Executive Officer of CapitaLand Township Pte. Ltd. (formerly known as Surbana International Investment Pte. Ltd. from October 2006 to May 2007, and Surbana Land Pte. Ltd. from May 2007 to April 2013), a subsidiary of CapitaLand Township. On a regional basis, he has led the team to gross over RMB22 billion of residential sales, with La Botanica Township becoming the best-selling project in terms of residential unit sales in Xi'an from 2014 to 2016; Botanica Township was one of the top 10 best-selling projects in Chengdu in 2010. Under his stewardship, CapitaLand was also placed sixth in total residential sales for Chengdu city in 2016.

Mr. Puah started his career in real estate in 1997. Prior to joining Surbana Corporation, Mr. Puah was an Executive Engineer in the Housing and Development Board of Singapore ("HDB"), and he later helmed HDBuilders.com, a construction portal offering e-collaboration and e-procurement services for the real estate industry in Singapore. He was the industry pioneer for e-bidding for construction materials, having managed over S$350 million in online auctions during his time at HDBuilders from 2000 to 2003.

Mr. Puah received an overseas undergraduate scholarship from HDB and obtained his Masters of Engineering (First Class Honours) degree in Electrical and Electronic Engineering from Imperial College of Science, Technology and Medicine in 1997. He was later awarded a Post-graduate scholarship from Surbana Corporation and obtained his Executive Masters of Business Administration (Honours) degree from Chicago Booth School of Business in 2010.

Wu Wallis, alias Li Hua, aged 37, is a non-executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture Degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the Chairman of the Board.

Ms. Wu has interests in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 58, is an independent non-executive Director. He obtained a Bachelor Degree in Business Administration from the Chinese University of Hong Kong in 1986, a Bachelor Degree in Business from the University College of Southern Queensland in 1990, and a Bachelor Degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president — accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007. He was the vice-chairman of Insite Asset Management Group Ltd. from September 2008 to December 2017 and has been the chairman since December 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

Xin Luo Lin, aged 69, is an independent non-executive Director. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 24 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited from August 2010 to June 2012, an independent non-executive director of China Environmental Technology Holdings Limited from August 2012 to May 2015 and a non-executive director of China Trends Holdings Limited from August 2015 to May 2016, the shares of those companies are listed on the Stock Exchange. Mr. Xin was an independent non-executive director of Enerchina Holdings Limited, the shares of which is listed on the Stock Exchange from June 2002 to May 2015 and was a non-executive director from May 2015 to June 2016. He is currently the non-executive chairman of Asian Capital Holdings Limited, an independent non-executive director of Beijing Sports And Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) and Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Daikokuya Inc., a company listed on the Tokyo Stock Exchange.

Sun Yuyang, aged 62, was an independent non-executive Director. He obtained a master degree in law from Wuhan University in 1996 and a doctorate degree in economics from Southwestern University of Finance and Economics in 2001. He has extensive experience in securities market and venture investment management. Dr. Sun has been the division head of the Guizhou Economic Reform Commission, the deputy head of the Policy Inspection Bureau of the Policy Research Office under the Communist Party in Shenzhen, the deputy general manager of Shenzhen Securities Clearing Company and the first chief executive officer of The Shenzhen Stock Exchange. Dr. Sun also served as the assistant general manager of Shum Yip Holdings Company Limited, the deputy general manager of Shum Yip Investment Limited, the chairman and chief executive officer of China High-tech Investment Management Co., Ltd（中國高新技術產業投資管理有限公司）, the president of Penghua Fund Management Co., Ltd as well as the vice president and consultant of Guoxin Securities Co., Ltd. Dr. Sun is one of the first batch of managers engaged in venture investment in China with a wealth of investment management experience and risk control ability.

SENIOR MANAGEMENT

Yuan Xujun, aged 51, is the chief executive officer. Mr. Yuan has over 22 years of experience in finance and management. He obtained a certificate of graduation in finance from Shanghai Motor Technical College in 1986 and a master degree in business administration from Macau University of Science and Technology in 2001. Mr. Yuan held several positions in China Vanke Co., Ltd. ("Vanke") from 1994 to January 2017 with his last position as general manager and legal representative of the companies under Vanke.

Hu Ping, aged 37, was the chief financial officer. Mr. Hu, has over 12 years of experience in management and finance. He graduated from Qingdao Technological University with a major in accounting in 2002 and obtained a master of accounting from Jiangxi University of Finance and Economics in 2006. Mr. Hu held several positions in Vanke from 2006 to February 2017 with his last positions as manager of the companies under Vanke.

Directors' Report

The Board presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China.

BUSINESS REVIEW

Discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages from 14 to 63 of this annual report. Key performance indicators are set out on page 13 of this annual report. In addition, discussions on the Group's environmental policies and relationships with its key stakeholders are set out in the "Environmental, Social and Governance Report" on pages from 67 to 83 of this annual report. These contents form part of this "Directors' Report".

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8.

FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 132 to 135 of this annual report.

RESULTS AND DIVIDENDS

Profits attributable to shareholders, before dividends, of RMB1,154,262,000 (2017: RMB811,365,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Board resolved to recommend a final dividend of HK$14.12 cents (equivalent to RMB12.09 cents) per share for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$12.29 cents per share).

HK$7.16 cents per share (for the six months ended 30 June 2017: Nil) was distributed as interim dividend for the six months ended 30 June 2018.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Thursday, 25 April 2019 to Tuesday, 30 April 2019 (both days inclusive), during which period no transfer of shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 24 April 2019, for registration.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 283 and 284 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year under review are set out in notes 10 and 11 respectively to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of approximately RMB600 million which has been charged directly to the Consolidated Income Statement.

ISSUANCE OF SENIOR NOTES

On 5 March, 23 April and 5 June and 2 May 2018, the Company issued the 6.50% senior notes with principle amount of US$300 million due 2021 (the "US$300 million Senior Notes"), the 6.875% senior notes with principle amount of US$300 million and additionally-issued principle amount of US$86 million, totaling US$386 million due 2020 (the "US$386 million Senior Notes") and the 6.25% senior notes with principle amount of SGD150 million due 2020 (the "SGD150 million Senior Notes"), respectively for refinancing its indebtedness.

In addition, on 29 January 2019, the Company issued the 7.325% senior notes with principle amount of US$200 million due 2020 (the "US$200 million Senior Notes"), mainly for refinancing its indebtedness.

More details of senior notes issued during the year ended 31 December 2018 are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 32 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out in note 32 to the financial statements and in the Consolidated Statement of Changes in Equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, purchases from the Group's five largest suppliers (excluding purchases of land) accounted for less than 30% of the Group's total purchases and purchases from the largest supplier (excluding purchases of land) amounted to approximately 10% of the Group's total purchases. Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover and sales to the largest customer amounted to approximately 2.5% of the Group's total turnover.

Save as disclosed in the consolidated financial statements, to the best knowledge of the Directors, none of the Directors or chief executive of the Company or any Shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors in office during the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing
Ms. Yan Yingchun (resigned on 21 August 2018)
Mr. Wang Jun (appointed on 21 August 2018)

Non-Executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice Chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-Executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Dr. Sun Yuyang (appointed on 8 January 2018)

In accordance with article 87 of the Article of Association of the Company, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Puah Tze Shyang and Mr. Xin Luo Lin will retire and, being eligible, will offer themselves for re-election at the 2019 AGM. Mr. Wang Jun was appointed as an executive Director on 21 August 2018 to fill a casual vacancy on the Board. In accordance with article 86(3) of the Article of Association, Mr. Wang Jun retired at the extraordinary general meeting held on 30 January 2019 and was re-elected by way of poll on the same day.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 98 to 103 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wu Po Sum has entered into a service contract with the Company pursuant to which Mr. Wu Po Sum agreed to act as executive Director for a term of three years with effect from 6 June 2017. Mr. Liu Weixing has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of three years with effect from 24 March 2017. Mr. Wang Jun has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of three years with effect from 21 August 2018.

Ms. Wu Wallis (alias Li Hua) has signed a letter of appointment dated 6 June 2017 with the company pursuant to which she agreed to act as non-executive Director for a term of three years with effect from 6 June 2017. Mr. Lucas Ignatius Loh Jen Yuh has signed a letter of appointment dated 1 October 2017 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 October 2017. Mr. Puah Tze Shyang has signed a letter of appointment dated 1 April 2018 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 April 2018.

Mr. Cheung Shek Lun has signed a letter of appointment dated 6 June 2017 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2017. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2019 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2019. Dr. Sun Yuyang has signed a letter of appointment dated 8 January 2018 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 8 January 2018.

Save as disclosed above, no Director 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.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 37 to the financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2018, nor any transaction, arrangement or contract of significance has been entered into during the year ended 31 December 2018 between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

All Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee of the Company. Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 6 and 7 to the financial statements.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives in the shares (the "Shares"), underlying shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows or as disclosed under the section headed "Share Option Schemes" below:

(a) Long positions in the Shares:

Name of Director or chief executive	Capacity and nature of interest	Number of share options held	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[4]
Mr. Wu Po Sum	Interest in a controlled corporation	–	1,386,315,639[1]	50.76%
	Beneficial owner	2,050,400[2]	–	0.08%
Mr. Wang Jun	Beneficial owner	27,000,000[2]	–	0.99%
Mr. Liu Weixing	Beneficial owner	20,000,000[2]	1,000,000	0.73%
Ms. Wu Wallis (alias Li Hua)[3]	Interest of spouse	8,500,000[2]	–	0.31%
Mr. Yuan Xujun	Beneficial owner	20,000,000[2]	–	0.73%

(b) Long positions in the Debentures:

US$200,000,000 aggregate principal amount 8.0% Senior Notes due 2020 issued in 2013 (the "2013 US$200 Million Senior Notes")

Name	Capacity	Amount of Debentures held	Approximate percentage of the interest in the 2013 US$200 Million Senior Notes[5]
Mr. Lucas Ignatius Loh Jen Yuh	Beneficial owner	US$500,000	0.25%

Notes:

1. The 1,386,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright Investments"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he is deemed to be interested in the 1,386,315,639 Shares by virtue of the SFO.

2. Such interest in the Shares is held pursuant to the share options granted under the Share Option Scheme (as defined below), the details of which are disclosed on pages 110 to 111 of this annual report.

3. The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

4. The approximate percentage of the interest in the Company's issued share capital is based on a total of 2,731,262,560 Shares of the Company in issue as at 31 December 2018.

5. The percentage of the interest in the 2013 US$200 Million Senior Notes is based on the aggregate principal amount of US$200,000,000.

Save as disclosed above or under the section headed "Share Option Scheme" below, as at 31 December 2018, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The original share option scheme has expired on 13 May 2018. The shareholders of the Company (the "Shareholders") conditionally adopted the share option scheme (the "Share Option Scheme") which has been approved on the extraordinary general meeting held on 19 April 2018. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 19 April 2018, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executive, or substantial Shareholder or any of their respective associate must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 31 December 2018, share options to subscribe for 38,825,760 Shares (representing approximately 1.42% of the issued share capital of the Company as at 31 December 2018 (i.e. 2,731,262,560 shares)) remained outstanding.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least and the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 18 April 2028.

Movement of share options granted under the Share Option Scheme for the year from 1 January 2018 to 31 December 2018 was as follows:

Name or category of participants	Date of grant	Exercise price per Share	Exercise period (Notes)	As at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2018
Directors								
Mr. Wu Po Sum	25 May 2010	HK$1.853	2	2,050,400	–	–	–	2,050,400
Ms. Yan Yingchun (resigned on 21 August 2018)	27 March 2013	HK$2.560	4	500,000	–	–	–	500,000
	23 May 2017	HK$1.764	5	10,000,000	–	–	–	10,000,000
Mr. Wang Jun (appointed on 21 August 2018)	23 August 2018	HK$3.470	7	–	27,000,000	–	–	27,000,000
Mr. Liu Weixing	23 May 2017	HK$1.764	5	20,000,000	–	–	–	20,000,000
Ms. Wu Wallis (alias Li Hua)[8]	27 March 2013	HK$2.560	4	1,500,000	–	–	–	1,500,000
	23 May 2017	HK$1.764	5	7,000,000	–	–	–	7,000,000
Chief Executive Officer								
Mr. Yuan Xujun	23 May 2017	HK$1.764	5	20,000,000	–	–	–	20,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK$1.853	2	3,025,520	–	–	(160)	3,025,360
	25 July 2011	HK$2.160	3	1,500,000	–	–	(1,500,000)	–
	27 March 2013	HK$2.560	4	15,650,000	–	–	(2,300,000)	13,350,000
	23 May 2017	HK$1.764	5	35,000,000	–	–	–	35,000,000
	12 June 2018	HK$4.296	6	–	64,000,000	–	–	64,000,000
	23 August 2018	HK$3.470	7	–	10,000,000	–	–	10,000,000
				116,225,920	101,000,000	–	(3,800,160)	213,425,760

Notes:

1. In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010, 25 July 2011, 27 March 2013, 23 May 2017, 12 June 2018 and 23 August 2018 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

   The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK$1.9 per share and was adjusted to HK$1.853 per share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.

2. The share options are divided into 3 tranches exercisable from 25 May 2011, 25 May 2012 and 25 May 2013 respectively to 24 May 2020.

3. The share options are divided into 3 tranches exercisable from 25 July 2012, 25 July 2013 and 25 July 2014 respectively to 24 July 2021.

4. The share options are divided into 3 tranches exercisable from 27 March 2014, 27 March 2015 and 27 March 2016 respectively to 26 March 2023.

5. The share options are divided into 3 tranches exercisable from 23 May 2018, 23 May 2019 and 23 May 2020 respectively to 22 May 2027.

6. The share options are divided into 3 tranches exercisable from 12 June 2019, 12 June 2020 and 12 June 2021 respectively to 11 June 2028.

7. The share options are divided into 3 tranches exercisable from 23 August 2019, 23 August 2020 and 23 August 2021 respectively to 22 August 2028.

8. The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

Additional information in relation to the Share Option Scheme is set out in note 30 to the financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 31 December 2018, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Schemes" above, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[1]
Joy Bright Investments	Beneficial owner	1,386,315,639[2]	50.76%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)")	Beneficial owner	658,116,228[3]	24.10%
CapitaLand China Holdings Pte Ltd ("CapitaLand China")	Interest in a controlled corporation	658,116,228[3]	24.10%
CapitaLand China Investments Limited ("CapitaLand China Investments")	Interest in a controlled Corporation	658,116,228[3]	24.10%
CapitaLand Limited ("CapitaLand")	Interest in a controlled corporation	658,116,228[3]	24.10%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest in a controlled corporation	658,116,228[3]	24.10%

Notes:

1. The percentage of the interest in the Company's issued share capital is based on a total of 2,731,262,560 Shares in issue.

2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright Investments and is deemed to be interested in the 1,386,315,639 Shares held by Joy Bright Investments for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2018, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Mr. Wu Po Sum & Joy Bright Investments

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling Shareholder) and Joy Bright Investments (the controlling Shareholder which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright Investments undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or Joy Bright Investments will not and will procure his or Joy Bright Investments' associates not to engage, directly or indirectly, whether as a Shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/Joy Bright Investments or any of his/Joy Bright Investments' associates identifies or is offered any opportunities to engage in a business that is in competition with that of the Group, he/Joy Bright Investments will and will procure that his/Joy Bright Investments' associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/Joy Bright Investments in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/Joy Bright Investments will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/Joy Bright Investments or his/Joy Bright Investments' associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 12 March 2019 provided by Mr. Wu Po Sum and Joy Bright Investments respectively, each of them confirms that during the period from 1 January to 31 December 2018 (the "Relevant Period"), (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

CapitaLand (Cayman) & CapitaLand China

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial Shareholder) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. Each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organisation, business firm, joint venture, trust, unincorporated organisation or any other entity or organisation, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as Shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. In the event that CapitaLand (Cayman)/CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand (Cayman)/CapitaLand China agrees to notify the company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand (Cayman)/CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand (Cayman)/CapitaLand China the Company's intention to participate in the relevant project, CapitaLand (Cayman)/CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 11 March 2019 provided by CapitaLand (Cayman) and CapitaLand China respectively, each of them confirms that during the Relevant Period, (i) all the relevant terms of the Non-competition undertaking B have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand (Cayman)/CapitaLand China), save as disclosed below:

CapitaLand China, through CapitaLand Value Home China Business ("CVH China") and CapitaLand Township Holdings Pte Ltd ("CapitaLand Township China"), commenced certain residential development projects in two of the Provinces, namely Hubei（湖北）and Shaanxi（陝西）, during the Relevant Period. In accordance with the requirements of the Non-competition Undertaking B, CapitaLand (Cayman)/CapitaLand China sent two notices to the Company on 13 March 2013 and 29 May 2013 offering the Company the opportunity to participate in the aforesaid projects. On 26 June 2013, the Company replied not accepting the offer to participate in all current and future residential projects undertaken or to be undertaken by CVH China and CapitaLand Township China in Wuhan and Xi'an and waiving the notice requirement under clause 2.1(c) of the Non-competition Undertaking B in respect of all future residential property development project(s) to be undertaken by each of CVH China and CapitaLand Township China in Wuhan and Xi'an.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has subscribed appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Group.

CONNECTED TRANSACTION

For the year ended 31 December 2018, the Group has entered into the following connected transactions.

1. **Allotment of 240,000,000 shares of the Company to Joy Bright Investments under special mandate**

   On 26 March 2018, the Company entered into the subscription agreement with Joy Bright Investments, pursuant to which the Company conditionally agreed to allot and issue, and Joy Bright Investments conditionally agreed to subscribe for, 240,000,000 shares of the Company at the subscription price of HK$3.65 per Share. It is conditional upon:

   (a) the passing at the extraordinary general meeting of the resolution to approve the terms and conditions of the subscription agreement and the whitewash waiver (being a waiver, to be granted pursuant to Note 1 on dispensations from Rule 26 of the Code on Takeovers and Mergers, of the obligation of Joy Bright Investments to make a mandatory general offer for all the issued securities of the Company not already owned, controlled or agreed to be acquired by the concert group of Joy Bright Investments which may otherwise arise as a result of the subscription of the shares of the Company by Joy Bright Investments pursuant to the subscription agreement) by the independent shareholders;

   (b) the executive granting the whitewash waiver;

   (c) completion of the terms and conditions of the third party subscription agreement under the third party subscription agreement; and

   (d) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the shares in the subscription agreement and the third party subscription agreement.

   All the abovementioned conditions were satisfied after the passing of the resolutions at the extraordinary general meeting held on 30 May 2018 by the Company, and the relevant allotment was completed on 5 June 2018 thereafter.

2. **Acquisition of 100% equity interest in Great Fine Investments Limited*（巨佳投資有限公司）("Great Fine Investments") from Joy Bright Investments**

On 24 September 2018, Joy Ascend Holdings Limited ("Joy Ascend Holdings"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Joy Bright Investments, pursuant to which Joy Ascend Holdings agreed to acquire the 100% equity interest in Great Fine Investments at a consideration of RMB290,000,000. Prior to completion of the acquisition, the Group did not hold any equity interest in Great Fine Investments. Upon completion of the acquisition, Great Fine Investments will become a wholly-owned subsidiary of the Company.

The major assets of Great Fine Investments, which is indirectly held through its subsidiaries, is the second to tenth floors of an office building situated in Zhengzhou Area of China (Henan) Pilot Free Trade Zone, and the consideration of which was determined by Joy Ascend Holdings and Joy Bright Investments on arm's length negotiations with reference to the valuation of the property as at 30 June 2018, being RMB290,000,000, which was determined by Savills Valuation and Professional Services Limited, based on the market value of its property as arrived at using the direct comparison approach.

The acquisition was completed on 24 September 2018 by the Company.

3. **Acquisition of 100% equity interest in Pacific Prestige Holdings Limited*（和威控股有限公司）("Pacific Prestige Holdings") from Joy Bright Investments**

On 14 December 2018, Joy Ascend Holdings entered into the equity transfer agreement with Joy Bright Investments, pursuant to which Joy Ascend Holdings agreed to acquire the 100% equity interest in Pacific Prestige Holdings at a consideration of RMB765,000,000. Prior to completion of the acquisition, the Group did not hold any equity interest in Pacific Prestige Holdings. Upon completion of the acquisition, Pacific Prestige Holdings will become a wholly-owned subsidiary of the Company.

The major assets of Pacific Prestige Holdings is a parcel of land situated at the west of Chaofeng Road and the south of Tiyuchang South Road in Economic and Technological Development Zone, Zhengzhou, Henan Province, the PRC (the "Target Property"), of which the 90% effective interests are held indirectly by Pacific Prestige Holdings, and the consideration of which is determined by Joy Ascend Holdings and Joy Bright Investments on arm's length negotiations with reference to 90% of the valuation of the Target Property (i.e. RMB765,000,000). The valuation of the Target Property as at 30 November 2018 was RMB850,000,000, as determined by Savills Valuation and Professional Services Limited, based on the market value of the Target Property as arrived at using the direct comparison approach.

As at 31 December 2018, the acquisition has not been completed by the Company.

4. **Entering into of the overall planning consultancy services with Henan Songyan Agricultural Development Company Limited*（河南嵩炎農業發展有限公司）("Henan Songyan")**

On 31 December 2018, each of the four subsidiaries of the Company entered into the overall planning consultancy services agreements with Henan Songyan, a subsidiary under Central China New Life Service Company Limited*（河南建業新生活服務有限公司）("Central China New Life"), pursuant to which each of the four subsidiaries of the Company agreed to procure and Henan Songyan agreed to provide the overall planning consultancy services to the project of each of the four subsidiaries of the Company on an one-off basis. Total contract fees amounted to RMB32,437,000 in aggregate.

The four subsidiaries of the Company are principally engaged in the development and operation of modern agricultural complex. The overall planning consultancy services of Henan Songyan include:

a) The overall planning consultancy services: comprises four aspects for project of each of the green house companies, i.e. planning and positioning, industrial research, development planning and strategy implementing;

b) To formulate plans of the overall planning consultancy services; and

c) To design development concept for the whole project based on the aforesaid holistic framework and taking account of the existing locational conditions.

As at 31 December 2018, the four subsidiaries of the Company have not yet incurred the above-mentioned overall planning consultancy fee.

As at the dates of these agreements, Mr. Wu Po Sum served as the chairman, an executive Director and a controlling shareholder of the Company. Mr. Wu Po Sum wholly owned the equity interests in Joy Bright Investments and Central China New Life. Therefore, the abovementioned transactions also constitute the connected transactions of the Company. Details of these agreements are set out in the circular and announcements of the Company dated 10 May 2018, 24 September 2018, 14 December 2018 and 31 December 2018, respectively.

For the year ended 31 December 2018, the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2018, The Group has entered into the following continuing connected transactions. Details of the transactions are set out in note 36 to the consolidated financial statements and below:

1. Provision of the consultation services by Central China New Life to the Company

On 31 August 2018, the Company entered into the consultation services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide the consultation services to the Group based on the needs of the Group's residential and commercial property projects in Henan Province, the PRC, which shall include the following services:

a) pre-delivery consultancy services, including but not limited to providing constructive advices throughout the process of project development (from both property development and end-user perspectives) at the planning and design stage, the engineering construction stage, the marketing stage, the inspection stage and the delivery stage; and

b) early stage initiation services, including but not limited to providing staff trainings before the delivery of the properties and the initiation service before the completion of projects.

For the year ended 31 December 2018, the service fees payable by the Group under the consultation services framework agreement amounted to approximately RMB26.3 million, while the annual cap for the same period amounted to RMB40 million.

2. Provision of the hotel management services by Central China New Life to the Company

On 30 November 2018, the Company entered into the hotel management services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide the hotel management services to the Group for its hotels in Henan Province, the PRC, of which the services include:

a) the basic management and supervision of the daily operation of the Group's hotels;

b) management and supervision of the daily operation of the Group's hotels; and

c) consultation services on the interior design, setting-up and operational management of the Group's new hotels,

For the year ended 31 December 2018, the service fees payable by the Group under the hotel management services framework agreement amounted to approximately RMB11.1 million, while the annual cap for the same period amounted to RMB12 million.

3. **Provision of the tourism services by Central China New Life to the Company**

   On 30 November 2018, the Company entered into the tourism services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide the tourism services to the Group for the promotion of the Group's business. Central China New Life is principally engaged in providing all-rounded property management service in Henan Province, the PRC, which also provides various ancillary services, including but not limited to organizing relevant marketing activities and the tourism services. Whilst the Group's business events requires expertise in tourism services.

   For the year ended 31 December 2018, the service fees payable by the Group under the tourism services framework agreement amounted to approximately RMB14.4 million, while the annual cap for the same period amounted to RMB16 million.

4. **Provision of the vacant properties patrolling services by Central China New Life to the Company**

   On 30 November 2018, the Company entered into the vacant properties patrolling services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide the vacant properties management services to the Group for the Group's vacant properties.

   For the year ended 31 December 2018, the service fees payable by the Group under the vacant properties patrolling services framework agreement amounted to approximately RMB7.1 million, while the annual cap for the same period amounted to RMB11 million.

5. **Provision of the marketing centre management services by Central China New Life to the Company**

   On 30 November 2018, the Company entered into the marketing centre management services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide the marketing centre management services to the Group for the Group's marketing centres.

   For the year ended 31 December 2018, the service fees payable by the Group under the marketing centre management services framework agreement amounted to approximately RMB7.4 million , while the annual cap for the same period amounted to RMB11 million.

6. **Provision of the real estate agency services by Central China New Life to the Company**

   On 31 December 2018, the Company entered into the real estate agency services framework agreement with Central China New Life, pursuant to which Central China New Life shall provide real estate agency services in respect of the first-hand property sales to the Group. In order to focus on the main business of real estate development, the Group decided to outsource the real estate marketing segment to assist in integrating resources to develop its main business. The service fees were charged as commission based on contracted sales amount of the Group's properties, depending on the overall property market environment, project location, difficulties of marketing and other factors.

   The annual caps for the real estate agency services framework agreement for the year ending 31 October 2019, 31 October 2020 and 31 October 2021 are RMB312,000,000, RMB320,000,000 and RMB330,000,000, respectively.

   For the two months ended 31 December 2018, the service fees payable by the Group under the real estate agency services framework agreement amounted to approximately RMB34.0 million.

As at the dates of these agreements, Mr. Wu Po Sum served as the chairman, an executive Director and a controlling shareholder of the Company, and wholly owned the equity interests in Central China New Life. Therefore, the abovementioned transactions also constitute the continuing connected transactions of the Company. Details of these agreements are set out in the announcements of the Company dated 31 August 2018, 30 November 2018 and 31 December 2018, respectively.

The Board confirmed that there is no material change in the contractual arrangements and/or the circumstances under which they were adopted, and its impact on the Group. The Board also confirmed that there is no unwinding of the structured contracts or failure to unwind when the restrictions that led to the adoption of the structured contracts are removed.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the relevant framework agreements and confirmed that the framework agreements have been entered into

a) in the ordinary and usual course of business of the Group;

b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, KPMG, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

a) have not been approved by the Board;

b) are not in accordance with the pricing policies of the Company;

c) have not been entered into in accordance with the relevant agreements governing the transactions; and

d) have exceeded the respective annual caps.

EVENTS AFTER THE REPORTING PERIOD

On 14 December 2018, Joy Ascend Holdings entered into the equity transfer agreement with Joy Bright Investments, pursuant to which Joy Ascend Holdings agreed to acquire the 100% equity interest in Pacific Prestige Holdings Limited at a consideration of RMB765,000,000. The transaction was approved at the extraordinary general meeting on 30 January 2019.

On 29 January 2019, Central China Real Estate Group (China) Company Limited* ("CCRE China") and Bridge Trust Co., Ltd.* ("Bridge Trust") entered into an acquisition agreement, pursuant to which, CCRE China agreed to acquire 45.45% equity interests in Henan Central China Hengxin Property Company Limited*（「河南建業恒新置業有限公司」）("CCRE Hengxin") from Bridge Trust at a consideration of RMB709,685,373.94. As at the date of the beforementioned transaction, CCRE Hengxin was owned as to 54.55% and 45.45% by CCRE China and Bridge Trust respectively. Upon the completion, CCRE Hengxin is now owned as to 100% by CCRE China, and has changed from a jointly controlled entity of the Company to an indirect wholly-owned subsidiary of the Company.

On 30 January 2019, the Company entered into a framework agreement with Central China New Life, pursuant to which the Company has agreed to acquire, and Central China New Life agreed to provide tourism services based on the Group's business needs. Please refer to the announcement of the Company dated 30 January 2019 for details.

On 30 January 2019, the Company entered into a framework agreement with Central China New Life, pursuant to which the Company has agreed to acquire, and Central China New Life agreed to provide hotel management services based on the Group's business needs. Please refer to the announcement of the Company dated 30 January 2019 for details.

On 31 January 2019, the Company entered into a framework agreement with Central China New Life, pursuant to which the Company has agreed to acquire, and Central China New Life agreed to provide consultation services, marketing centre management services, vacant properties management services, self-owned properties management services and properties pre-delivery inspection services based on the Group's business needs. Please refer to the announcement of the Company dated 31 January 2019 for details.

Save as the above and the disclosed in note 40 to the financial statements, there are no significant events subsequent to 31 December 2018 which would materially affect the Group's operating and financial performance as of the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries and its joint ventures purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") pursuant to the MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to consolidated income statement 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. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2018.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed level of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS, CORPORATE BONDS AND SENIOR NOTES

Particulars of bank loans, other loans, senior notes and corporate bonds of the Group as at 31 December 2018 are set out in notes 25, 26, 28 and 29 to the financial statements respectively.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to RMB8 million (2017: RMB201 million). For further details, please refer to "Charity" on page 76 in the section of Environmental, Social and Governance Report.

MATERIAL LITIGATION AND ARBITRATION

For the year ended 31 December 2018, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at pages 84 to 97 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Annual Results, including the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control systems and financial reporting matters as well as the audited financial statements for the year ended 31 December 2018 with the management.

AUDITORS

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the 2019 AGM.

By order of the board
Wu Po Sum
Chairman
Hong Kong, 27 March 2019

Independent Auditor's Report

Independent auditor's report to the shareholders of Central China Real Estate Limited

(Incorporated in the Cayman Islands with Limited Liability)

OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 132 to 282, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirments and 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.

Revenue from the sale of properties recognised at a point in time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Revenue from the sale of properties recognised at a point in time for the year ended 31 December 2018 totalled RMB5,967 million, which accounted for 40% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised at a point in time when customer obtains the ability to direct the use of the property and substantially all of the remaining benefits of the property, unless at the time of entering into the contract, the sales and purchase agreement satisfied the criteria for recognising revenue over time by containing an enforceable right to payment for performance completed to date. Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities. We identified revenue from the sale of properties recognised at a point in time as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess revenue from the sale of properties recognised at a point in time included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • selecting property sale transactions, on a sample basis, from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications, notice of delivery and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; • assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as contract liabilities from pre-sale of properties; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Revenue from the sale of properties recognised over time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Revenue from the sale of properties recognised over time for the year ended 31 December 2018 totalled RMB7,662 million, which accounted for 52% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised over time when the Group's performance under a sales and purchase agreement does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using cost-to-cost method based on the proportion of the Group's actual costs incurred relative to the estimated total costs.	Our audit procedures to assess revenue from the sale of properties recognised over time included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • inspecting the key terms of sales and purchase agreements, on a sample basis, to assess right to payment based on the contract terms; • obtaining the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; • assessing the competence, experience and objectivity of the legal counsel engaged by the management; • selecting property sale transactions, on a sample basis, from the total property sales recorded for the year and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements and records of proceeds received, to assess whether the proceeds from pre-sales of property had been received in accordance with the respective sales and purchase agreements;

The Key Audit Matter	How the matter was addressed in our audit
Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities. We identified revenue from the sale of properties recognised over time as a key audit matter because revenue is one of the key performance indicators of the Group, is significant to the consolidated financial statements and involves significant accounting judgement and estimates to assess whether the Group has an enforceable right to payment for performance completed to date and to measure the progress towards complete satisfaction of the performance obligation, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	• comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • discussing with management, on a sample basis, the development progress of the projects and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; • selecting samples from the total actual costs incurred up to the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable; • checking the mathematical accuracy of the calculation of cost allocation and completion progress of the property projects; • conducting site visits, on a sample basis, to property development projects for which revenue had been recognised in the current year and discussing with site management to observe the completion status; and • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Assessing the net realisable value of properties for sale

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(o).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB50,199 million, which represented 49% of the Group's total assets as at that date. Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales). We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures implemented by local governments in various cities across Mainland China.	Our audit procedures to assess the net realisable value of properties held for sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments; • comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • conducting site visits, on a sample basis, to property development projects at various developing stages and discussing with site management to observe the completion status; • for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

The Key Audit Matter	How the matter was addressed in our audit
	• discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data; • checking the mathematical accuracy of the calculations made by management in arriving at the year-end assessment of net realisable values of properties for sale; • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors 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. This 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.

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with 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 *Tse Wong Pui*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2019

Consolidated Income Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Revenue	*2*	**14,783,480**	13,879,207
Cost of sales		**(9,692,377)**	(10,598,430)
Gross profit		**5,091,103**	3,280,777
Other revenue	*3*	**234,854**	155,437
Other net income	*3*	**64,192**	258,358
Selling and marketing expenses		**(1,188,393)**	(697,149)
General and administrative expenses		**(1,552,404)**	(1,087,227)
Impairment losses on trade and other receivables, including contract assets		**(54,623)**	–
		2,594,729	1,910,196
Finance costs	*4(a)*	**(226,152)**	(408,051)
Share of profits less losses of associates	*15*	**(17,905)**	(4,422)
Share of profits less losses of joint ventures	*16*	**15,638**	198,943
Profit before change in fair value of investment property and income tax		**2,366,310**	1,696,666
Net valuation gain on investment property	*11*	**605,673**	243,400
Profit before taxation	*4*	**2,971,983**	1,940,066
Income tax	*5(a)*	**(1,556,860)**	(1,040,784)
Profit for the year		**1,415,123**	899,282
Attributable to:			
Equity shareholders of the Company		**1,154,262**	811,365
Non-controlling interests		**260,861**	87,917
Profit for the year		**1,415,123**	899,282
Earnings per share	*8*		
– Basic (RMB cents)		**44.30**	33.19
– Diluted (RMB cents)		**43.51**	32.95

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(ii) The Group has aggregated the line item of "other operating income", which was presented separately in prior years, into "other revenue" due to materiality consideration and reclassified the comparative information to conform to change in presentation in the current period.

The notes on pages 141 to 282 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Profit for the year		**1,415,123**	899,282
Other comprehensive income for the year (after tax and reclassification adjustments)	*9*		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)		**64,627**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on:			
– Translation of financial statements to the presentation currency		**(358,273)**	151,780
– Arising on a monetary item that forms part of net investment in foreign operations		**(338,350)**	243,334
Cash flow hedge: net movement in the hedging reserve		**529**	41,156
Other comprehensive income for the year		**(631,467)**	436,270
Total comprehensive income for the year		**783,656**	1,335,552
Attributable to:			
Equity shareholders of the Company		**524,555**	1,246,481
Non-controlling interests		**259,101**	89,071
Total comprehensive income for the year		**783,656**	1,335,552

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment	10	**4,808,494**	3,793,340
Investment property	11	**2,916,000**	1,297,000
Intangible assets	12	**518,008**	204,300
Biological assets	13	**203,946**	–
Interests in associates	15	**449,913**	536,549
Interests in joint ventures	16	**9,915,331**	9,026,377
Other financial assets	17	**651,865**	486,366
Deferred tax assets	31(b)	**248,318**	100,742
		19,711,875	15,444,674
Current assets			
Trading securities	18	**82,775**	97,105
Biological assets	13	**32,778**	–
Inventories and other contract costs	19	**50,315,979**	24,341,214
Contract assets	20	**137,691**	–
Trade and other receivables	21	**2,577,140**	1,664,421
Deposits and prepayments	22	**9,161,824**	6,554,002
Tax recoverable	31(a)	**2,160,457**	1,016,854
Restricted bank deposits	23	**3,579,597**	2,125,062
Cash and cash equivalents	24	**14,202,259**	11,283,853
		82,250,500	47,082,511
Current liabilities			
Bank loans	25	**(1,756,130)**	(450,118)
Other loans	26	**(593,150)**	(90,000)
Trade and other payables	27	**(28,924,187)**	(22,034,089)
Receipts in advance	20	**–**	(15,087,593)
Contract liabilities	20	**(40,829,626)**	–
Corporate bonds	29	**(2,996,760)**	–
Senior notes	28	**–**	(3,890,692)
Taxation payable	31(a)	**(833,264)**	(1,116,940)
		(75,933,117)	(42,669,432)
Net current assets		**6,317,383**	4,413,079
Total assets less current liabilities		**26,029,258**	19,857,753

Consolidated Statement of Financial Position (Continued)

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Non-current liabilities			
Bank loans	*25*	**(4,074,351)**	(3,437,460)
Other loans	*26*	**(240,030)**	(210,000)
Trade and other payables		**–**	(58,302)
Corporate bonds	*29*	**–**	(2,986,914)
Senior notes	*28*	**(10,190,829)**	(4,518,961)
Deferred tax liabilities	*31(b)*	**(1,254,264)**	(172,947)
		(15,759,474)	(11,384,584)
NET ASSETS		**10,269,784**	8,473,169
CAPITAL AND RESERVES			
Share capital	*32(a)*	**239,958**	216,916
Reserves		**8,597,132**	7,477,757
Total equity attributable to equity shareholders of the Company		**8,837,090**	7,694,673
Non-controlling interests		**1,432,694**	778,496
TOTAL EQUITY		**10,269,784**	8,473,169

Approved and authorised for issue by the board of directors on 27 March 2019

Wu Po Sum
Executive Director

Liu Weixing
Executive Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital (Note 32(a)(i)) RMB'000	Share premium (Note 32(b)(i)) RMB'000	Statutory reserve fund (Note 32(b)(ii)) RMB'000	Other capital reserve (Note 32(b)(iii)) RMB'000	Exchange reserve (Note 32(b)(iv)) RMB'000	Share-based compensation reserve (Note 32(b)(v)) RMB'000	Property revaluation reserve (Note 32(b)(vi)) RMB'000	Hedging reserve (Note 32(b)(vii)) RMB'000	Fair value reserve (non-recycling) (Note 32(b)(viii)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	-	3,087,376	7,694,673	778,496	8,473,169
Impact on initial application of HKFRS 15	*1(c)*	-	-	-	-	-	-	-	-	-	164,619	164,619	13,741	178,360
Impact on initial application of HKFRS 9	*1(c)*	-	-	-	-	-	-	-	-	24,752	(34,078)	(9,326)	-	(9,326)
Adjusted balance at 1 January 2018		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	24,752	3,217,917	7,849,966	792,237	8,642,203
Changes in equity for 2018:														
Profit for the year		-	-	-	-	-	-	-	-	-	1,154,262	1,154,262	260,861	1,415,123
Other comprehensive income		-	-	-	-	(694,863)	-	-	529	64,627	-	(629,707)	(1,760)	(631,467)
Total comprehensive income		-	-	-	-	(694,863)	-	-	529	64,627	1,154,262	524,555	259,101	783,656
Dividend approved in respect of the previous year	*32(c)*	-	-	-	-	-	-	-	-	-	(243,915)	(243,915)	-	(243,915)
Dividend declared in respect of the current year	*32(c)*	-	-	-	-	-	-	-	-	-	(165,000)	(165,000)	-	(165,000)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(85,130)	(85,130)
Appropriation to statutory reserve fund	*32(b)(ii)*	-	-	244,681	-	-	-	-	-	-	(244,681)	-	-	-
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	65,226	65,226
Issue of ordinary shares	*32(a)(i)*	23,042	809,114	-	-	-	-	-	-	-	-	832,156	-	832,156
Equity settled share-based payment		-	-	-	-	-	43,059	-	-	-	-	43,059	-	43,059
Acquisitions of additional interests in subsidiaries		-	-	-	(3,731)	-	-	-	-	-	-	(3,731)	(9,745)	(13,476)
Acquisitions of subsidiaries	*37(a)(i)*	-	-	-	-	-	-	-	-	-	-	-	411,005	411,005
		23,042	809,114	244,681	(3,731)	-	43,059	-	-	-	(653,596)	462,569	381,356	843,925
Balance at 31 December 2018		239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2018

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 32(a)(i))* RMB'000	Share premium *(Note 32(b)(i))* RMB'000	Statutory reserve fund *(Note 32(b)(ii))* RMB'000	Other capital reserve *(Note 32(b)(iii))* RMB'000	Exchange reserve *(Note 32(b)(iv))* RMB'000	Share-based compensation reserve *(Note 32(b)(v))* RMB'000	Property revaluation reserve *(Note 32(b)(vi))* RMB'000	Hedging reserve *(Note 32(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326
Changes in equity for 2017:													
Profit for the year		–	–	–	–	–	–	–	–	811,365	811,365	87,917	899,282
Other comprehensive income		–	–	–	–	393,960	–	–	41,156	–	435,116	1,154	436,270
Total comprehensive income		–	–	–	–	393,960	–	–	41,156	811,365	1,246,481	89,071	1,335,552
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(64,859)	(64,859)
Appropriation to statutory reserve fund		–	–	343,759	–	–	–	–	–	(343,759)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	99,600	99,600
Shares issued under share option scheme		594	14,467	–	–	–	(2,444)	–	–	–	12,617	–	12,617
Equity settled share-based payment		–	–	–	–	–	12,258	–	–	–	12,258	–	12,258
Disposal of subsidiaries	*37(b)(i)*	–	–	–	–	–	–	–	–	–	–	(24,802)	(24,802)
Disposal of partial interest in subsidiaries		–	–	–	448	–	–	–	–	–	448	8,509	8,957
Acquisitions of additional interests in subsidiaries		–	–	–	806	–	–	–	–	–	806	(10,806)	(10,000)
Acquisitions of subsidiaries	*37(a)(ii)*	–	–	–	–	–	–	–	–	–	–	106,520	106,520
		594	14,467	343,759	1,254	–	9,814	–	–	(343,759)	26,129	114,162	140,291
Balance at 31 December 2017 ***(Note)***		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	3,087,376	7,694,673	778,496	8,473,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Operating activities			
Profit before taxation		**2,971,983**	1,940,066
Adjustments for:			
Interest income	*3*	**(219,138)**	(91,309)
Depreciation and amortisation	*4(c)*	**268,459**	255,448
Equity settled share-based payment expenses	*4(b)*	**43,059**	12,258
Dividend income from equity securities	*3*	**(5,155)**	(13,776)
Net increase in fair value of investment properties	*11*	**(605,673)**	(243,400)
Net (gain)/loss on disposals of property, plant and equipment	*3*	**(19,383)**	412
Share of profits less losses of associates	*15*	**17,905**	4,422
Share of profits less losses of joint ventures	*16*	**(15,638)**	(198,943)
Finance costs	*4(a)*	**226,152**	408,051
Net gain on disposals of subsidiaries	*3*	**–**	(189,647)
Net gain on deemed disposal of a subsidiary	*3*	**–**	(280)
Net loss/(gain) on disposal of a joint venture	*3*	**17,292**	(12,577)
Net fair value gain on deemed disposals of joint ventures	*3*	**(91,432)**	–
Net exchange loss/(gain)	*3*	**37,652**	(59,362)
Operating profit before changes in working capital carried forward		**2,626,083**	1,811,363

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Operating profit before changes in working capital brought forward		**2,626,083**	1,811,363
Decrease in trading securities		**14,330**	1,081
Increase in biological assets		**(236,724)**	–
Increase in inventories and other contract costs		**(20,513,456)**	(5,109,370)
Increase in contract assets		**(137,691)**	–
Decrease/(increase) in trade and other receivables		**1,321,305**	(1,268,363)
Decrease/(increase) in deposits and prepayments		**(2,306,909)**	(5,324,714)
Increase in restricted bank deposits		**(1,429,837)**	(656,910)
Increase in trade and other payables		**3,852,505**	10,261,724
Decrease/(increase) in receipts in advance		**(15,087,593)**	7,331,682
Increase in contract liabilities		**38,128,806**	–
Cash generated from operations		**6,230,819**	7,046,493
PRC tax paid		**(2,127,876)**	(1,286,610)
Net cash generated from operating activities		**4,102,943**	5,759,883
Investing activities			
Payment for purchase of property, plant and equipment		**(922,228)**	(998,311)
Proceeds from disposals of property, plant and equipment		**21,395**	480
Payment for purchase of intangible asset		**–**	(106,039)
Net cash paid upon acquisitions of subsidiaries	*37(a)(i)*	**(507,948)**	(624,326)
Acquisitions of additional interests in subsidiaries		**(13,477)**	(10,000)
Net cash inflow upon disposals of subsidiaries	*37(b)(i)*	**–**	283,588
Net cash outflow upon deemed disposal of a subsidiary	*37(b)(ii)*	**–**	(903)
Net cash inflow upon disposal of partial interest in subsidiaries		**–**	8,957
Disposals of joint ventures		**52,846**	15,560
Investments in joint ventures		**(882,803)**	(124,694)
Advances to joint ventures		**(2,996,652)**	(2,650,790)
Repayment from joint ventures		**1,344,285**	52,417
Investment in associates		**(100,914)**	(120,000)
Advances to associates		**(46,141)**	(393,803)
Repayment from associates		**212,493**	–
Payment for investment in other financial assets		**–**	(300,000)
Proceeds from disposals of other financial assets		**–**	3,714
Dividend received from joint ventures		**385,905**	130,139
Dividend received from equity securities		**5,155**	13,776
Interest received		**210,427**	91,309
Net cash used in investing activities		**(3,237,657)**	(4,728,926)

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Financing activities			
Proceeds from new bank loans	*24(b)*	**2,629,500**	2,791,858
Repayment of bank loans	*24(b)*	**(1,201,671)**	(1,212,674)
Proceeds from other loans	*24(b)*	**653,180**	–
Repayment of other loans	*24(b)*	**(120,000)**	(90,000)
Net proceeds from issue of senior notes	*24(b)*	**4,967,851**	1,330,129
Repayment of redemption upon maturity senior notes	*24(b)*	**(4,110,979)**	(1,098,655)
Proceeds from shares issued under share option scheme		**–**	12,617
Issue of ordinary shares	*32(a)*	**832,156**	–
Interest paid	*24(b)*	**(1,195,384)**	(1,228,316)
Dividend paid		**(408,915)**	–
Dividend paid to non-controlling interests		**(85,130)**	(64,859)
Capital contribution from non-controlling interests		**65,225**	99,600
Net cash generated from financing activities		**2,025,833**	539,700
Net increase in cash and cash equivalents		**2,891,119**	1,570,657
Cash and cash equivalents at 1 January		**11,283,853**	9,776,310
Effect of foreign exchange rate changes		**27,287**	(63,114)
Cash and cash equivalents at 31 December		**14,202,259**	11,283,853

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and functional and presentation currency

(i) The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand, while the Company's functional currency is the Hong Kong dollar ("HK$").

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 1(i));
- investments in debt and equity securities (see note 1(f)); and
- derivative financial instruments (see note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation and functional and presentation currency (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(42,255)
– contract assets	(3,182)
Related tax	11,359
Net decrease in retained earnings at 1 January 2018	(34,078)
Fair value reserve (non-recycling)	
Recognition of fair value changes relating to equity securities which were measured at cost less impairment losses and are now measured at FVOCI (non-recycling) and increase in fair value reserve (non-recycling) at 1 January 2018	33,002
Related tax	(8,250)
Net decrease in retained earnings at 1 January 2018	24,752

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

a. Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
Financial assets carried at amortised cost				
Cash and cash equivalents	11,283,853	–	–	11,283,853
Trade and other receivables *(note (i))*	1,620,572	(42,542)	(42,255)	1,535,775
	12,904,425	(42,542)	(42,255)	12,819,628
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (ii))*	–	486,366	33,002	519,368
Financial assets classified as available-for-sale measured at cost less impairment losses under HKAS 39				
Equity securities *(note (ii))*	486,366	(486,366)	–	–
Financial assets carried at FVPL				
Trading securities *(note (iii))*	97,105	–	–	97,105
Other derivative assets *(note (iii))*	43,849	–	–	43,849
	140,954	–	–	140,954

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

a. Classification of financial assets and financial liabilities (Continued)

Notes:

(i) Trade and other receivables of RMB42,542,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 1(c)).

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investments in these investments at FVOCI (non-recycling), as these investments are held for strategic purposes.

(iii) Trading securities and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (g), (m)(i), (q) and (r).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 1(m)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

b. Credit losses (Continued)

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and other financial assets measured at amortised cost);

– contract assets as defined in HKFRS 15 (see note 1(p));

– debt securities measured at FVOCI (recycling);

– lease receivables; and

– financial guarantee contracts issued (see note 1(m)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 1(m)(i) and (ii).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Contract assets recognised on adoption of HKFRS 15	3,182
– Trade debtors and bills receivable	12,932
– Other debtors	29,323
Loss allowance at 1 January 2018 under HKFRS 9	45,437

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

c. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assess hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

For an explanation of how the Group applies hedge accounting, see note 1(h).

d. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

– All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for certain sales of properties	201,380
Capitalisation of sales commissions	35,489
Related tax	(74,288)
Net increase in share of profit in joint ventures resulted from application of HKFRS 15	15,779
Less: attributable to non-controlling interests	(13,741)
Net increase in retained earnings at 1 January 2018	164,619

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers. In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services (see note 1(y)). However, the timing of revenue recognition for sales of properties is affected as follows:

– Sales of properties: the Group's property development activities are carried out in Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, certain property pre-sale contracts meet the criteria for recognising revenue over time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Certain fully prepaid pre-sales of properties under development, when the properties under development have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, satisfy the criteria for category C for recognising revenue over time during the developing process, whereas previously the Group did not recognise revenue until the risks and rewards of ownership of the property were transferred to the customer. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss earlier under HKFRS 15 than under HKAS 18.

For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

As a result of this change in policy, the Group has made adjustments to opening balance at 1 January 2018 which increased retained earnings by RMB138,002,000, increased non-controlling interests by RMB13,741,000 increased deferred tax liabilities by RMB60,313,000, increased in investment in joint ventures by RMB15,779,000, decreased receipts in advance by RMB1,113,672,000, decreased inventories by RMB912,292,000 and decreased deferred tax assets by RMB5,103,000 as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

b. Significant financing component (Continued)

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Advance payments are common in the Group's arrangement with its customers, when properties are marketed by the Group while the property is still under construction.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB205,154,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

c. Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts and increased other contract costs by RMB35,489,000, increased deferred tax liabilities by RMB8,872,000 and increased retained earnings by RMB26,617,000 at 1 January 2018.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

d. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(y)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(p)).

Previously, contract balances relating to sales of properties and provision of services were presented in the statement of financial position under "trade and other receivables" or "receipts in advance" respectively, and properties under development in respect of the such property sales which meet the situations for recognising revenue over time was included within inventory until such properties were delivered to the customers, and the risk and reward of ownership of revenue was recognised for the reasons explained in paragraph (a) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(i) "Trade debtors and bills receivable" amounting to RMB42,542,000 relating to provision of services, which were previously included in trade and other receivables are now included under contract assets;

(ii) "Receipts in advance" amounting to RMB13,973,921,000 are now included under contract liabilities;

(iii) As explained in a. above, reclassification to opening balances have been made to contract liabilities by RMB1,113,672,000 from "Receipts in advance" related to sale of properties and decrease inventories (properties under development) by RMB912,292,000 in respect of the Group's properties sales which meet the situations for recognising revenue over time.

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

1 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated income statement for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenue	14,783,480	19,165,066	(4,381,586)
Cost of sales	(9,692,377)	(13,372,934)	3,680,557
Gross profit	5,091,103	5,792,132	(701,029)
Selling and marketing expenses	(1,188,393)	(1,266,024)	77,631
Profit from operations	2,594,729	3,218,127	(623,398)
Share of profits less losses of associates	(17,905)	(20,598)	2,693
Share of profits less losses of joint ventures	15,638	138,702	(123,064)
Profit before taxation	2,971,983	3,715,752	(743,769)
Income tax	(1,556,860)	(1,876,128)	319,268
Profit for the year	1,415,123	1,839,623	(424,500)
Profit attributable to equity shareholders of the Company	1,154,262	1,588,450	(434,188)
Profit attributable to non-controlling interests	260,861	251,173	9,688
Earnings per share			
Basic (RMB cents)	44.30	60.96	(16.66)
Diluted (RMB cents)	43.51	59.88	(16.37)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of comprehensive income for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Total comprehensive income for the year	783,656	1,208,156	(424,500)
Total comprehensive income attributable to the equity shareholders of the Company	524,555	958,743	(434,188)
Total comprehensive income attributable to non-controlling interests	259,101	249,413	9,688

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Interests in joint ventures	9,915,331	10,022,615	(107,284)
Interests in associates	449,913	447,220	2,693
Deferred tax assets	248,318	235,731	12,587
Total non-current assets	19,711,875	19,803,879	(92,004)
Inventories and other contract costs	50,315,979	47,616,615	2,699,364
Contract assets	137,691	–	137,691
Trade and other receivables	2,577,140	2,714,831	(137,691)
Tax recoverable	2,160,457	2,074,964	85,493
Total current assets	82,250,500	79,465,643	2,784,857
Trade and other payables	(28,924,187)	(30,353,926)	1,429,739
Contract liabilities	(40,829,626)	–	(40,829,626)
Receipts in advance	–	(36,313,994)	36,313,994
Taxation payable	(833,264)	(1,860,957)	1,027,693
Total current liabilities	(75,933,117)	(73,874,917)	(2,058,200)
Net current assets	6,317,383	5,590,726	726,657
Total assets less current liabilities	26,029,258	25,394,605	634,653
Deferred tax liabilities	(1,254,264)	(373,471)	(880,793)
Total non-current liabilities	(15,759,474)	(14,878,681)	(880,793)
Net assets	10,269,784	10,515,924	(246,140)
Reserves	8,597,132	8,866,701	(269,569)
Total equity attributable to equity shareholders of the Company	8,837,090	9,106,659	(269,569)
Non-controlling interests	1,432,694	1,409,265	23,429
Total equity	10,269,784	10,515,924	(246,140)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 (note 24) impacted by the adoption of HKFRS 15:			
Profit before taxation	2,971,983	3,715,752	(743,769)
Increase in inventories and other contract costs	(20,513,456)	(17,814,092)	(2,699,364)
Decrease in trade and other receivables	1,321,305	1,183,614	137,691
Increase in contract assets	(137,691)	–	(137,691)
Increase in trade and other payables	3,852,505	5,298,024	(1,445,519)
(Decrease)/increase in receipts in advance	(15,087,593)	18,451,293	(33,538,886)
Increase in contract liabilities	38,128,806	–	38,128,806

The significant differences arise as a result of the changes in accounting policies described above.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(m)).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(y)(vi)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

<u>Equity investments</u>

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(y)(v).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities (Continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(m)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments was recognised in profit or loss in accordance with the policies set out in note 1(y)(v). When the investments were derecognised or impaired (see note 1(m)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

(h) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges). The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash flow hedges (Continued)

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(l).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(l)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

– Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

– Furniture, fixtures and equipment 5 to 10 years

– Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(m)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Licences	10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or asset for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(i)) or properties for sale (see note 1(o)(i)).

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in HKFRS 15 (see note 1(p)); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

<u>Measurement of ECLs</u>

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate; and

- lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(y)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(y)(viii)).

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible asset; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

(n) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

(o) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Inventories and other contract costs (Continued)

(i) Inventories (Continued)

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square metre basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(o)(i)), property, plant and equipment (see note 1(j)) or intangible assets (see note 1(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(y).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(y)).

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 1(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(aa)).

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Sales of properties*

Sales of the Group's properties are recognised as follows:

– Sales of certain fully prepaid pre-sales of properties under development

For certain fully prepaid pre-sales of properties, the Group's performance under the sales and purchase agreement does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

– Sales of other properties

For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Advance payments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(p)).

If the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

(i) Sales of properties (Continued)

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under "receipts in advance" and no interest expense was accrued on payments received in advance. As a result of the change in accounting policy for accruing interest on payments in advance, adjustments have been made to opening balances as at 1 January 2018 (see note 1(c)(ii)).

(ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

(v) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are included in the statement of financial position under "trade and other payables" and is released to profit or loss over the expected useful life of the relevant asset.

(viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 1(m)(ii)).

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service. Revenue of the Group for the period is analysed as follows:

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017 *(Note)*
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or service lines		
– Sales of properties	**13,629,185**	13,210,985
– Revenue from hotel operations	**284,628**	265,530
– Revenue from project management service	**675,266**	307,762
– Others	**47,479**	–
	14,636,558	13,784,277
Revenue from other sources		
– Rental income from investment properties	**106,669**	28,568
– Rental income from properties for sale	**40,253**	66,362
	146,922	94,930
	14,783,480	13,879,207

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	2018	2017
		(Note)
	RMB'000	RMB'000
Point in time		
– Sales of properties	**5,967,104**	13,210,985
– Revenue from hotel operations	**284,628**	265,530
– Others	**47,479**	–
	6,299,211	13,476,515
Over time		
– Sales of properties	**7,662,081**	–
– Revenue from project management service	**675,266**	307,762
– Rental income from investment properties	**106,669**	28,568
– Rental income from properties for sale	**40,253**	66,362
	8,484,269	402,692
	14,783,480	13,879,207

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 1(c)).

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from sales of properties and project management service

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB57,867,866,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and project management service entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 1(y)(i)). The Group will recognise the expected revenue in future when or as the control is transferred or by measuring the progress towards complete satisfaction of the performance obligation, which is expected to occur over the next 12 to 36 months.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's project management service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(iii) Lease income

The Group leases out its investment properties and certain completed properties held for sale under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(iii) Lease income (Continued)

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Total future minimum lease income from:		
Investment properties:		
Within 1 year	**105,782**	24,767
After 1 year but within 5 years	**293,840**	86,843
After 5 years	**359,995**	47,444
	759,617	159,054
Properties held for sale:		
Within 1 year	**16,294**	119,230
After 1 year to 5 years	**40,026**	166,246
After 5 years	**32,083**	333,414
	88,403	618,890

For properties held for sale under operating leases, the directors confirm that the Group intends to sell the properties together with the respective leases.

(b) Segment reporting

(i) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(ii) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

3 OTHER REVENUE AND OTHER NET INCOME

	2018 RMB'000	2017 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**152,496**	58,753
Other interest income	**66,642**	32,556
Dividend income from equity securities	**5,155**	13,776
Government grants	**8,814**	1,725
Others	**1,747**	48,627
	234,854	155,437
Other net income		
Net realised and unrealised loss on trading securities	**(37,655)**	(1,081)
Inventory write-down *(note 19(a))*	**(20,271)**	(64,766)
Changes in fair value of biological assets less cost to sell *(note 13(a))*	**11,979**	–
Net gain/(loss) on disposals of property, plant and equipment	**19,383**	(412)
Net gain on disposals of subsidiaries *(notes 37(b)(i))*	**–**	189,647
Net gain on deemed disposal of a subsidiary *(notes 37(b)(ii))*	**–**	280
Net (loss)/gain on disposal of a joint venture	**(17,292)**	12,577
Net fair value gain on deemed disposals of joint ventures *(notes 16(a))*	**91,432**	–
Net exchange (loss)/gain	**(37,652)**	59,362
Others	**54,268**	62,751
	64,192	258,358

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2018 RMB'000	2017 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings *(note 24(b))*	**1,296,349**	1,083,562
Interest accrued on advance payments from customers *(note 20)*	**1,042,564**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**2,338,913**	1,083,562
Less: Borrowing costs capitalised into properties under development*	**(2,074,731)**	(846,043)
	264,182	237,519
Net change in fair value of derivatives		
– call options *(note 28)*	**(1,591)**	(12,242)
– foreign exchange rate swap contract *(note 28)*	**(5,990)**	108,549
– foreign exchange forward contracts *(note 21)*	**(30,449)**	–
– reclassification adjustment for cash flow hedge transferred to finance costs *(note 9(b))*	**–**	74,225
	(38,030)	170,532
	226,152	408,051

* The capitalisation rate used to capitalise interest on general borrowings in 2018 was 7.18% per annum (2017: 7.05% per annum).

4 PROFIT BEFORE TAXATION (Continued)

	2018 RMB'000	2017 *(Note)* RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plan	**105,350**	68,849
Equity settled share-based payment expenses *(note 30)*	**43,059**	12,258
Salaries, wages and other benefits	**662,242**	507,363
	810,651	588,470

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

4 PROFIT BEFORE TAXATION (Continued)

	2018	2017
		(Note)
	RMB'000	RMB'000
(c) Other items		
Amortisation *(note 12)*	**23,868**	21,290
Depreciation *(note 10)*	**244,591**	234,158
Impairment losses on trade and other receivables, including contract assets	**(54,623)**	–
Group auditor's remuneration		
– audit services	**4,646**	4,546
– review and other services	**2,850**	1,300
Local statutory auditors' remuneration		
– audit services	**3,393**	1,645
– review and other services	**752**	574
Cost of inventories *(note 19(a))*	**9,415,270**	10,385,586
Sponsorship fee for local football events	**298,245**	137,100
Operating lease charges in respect of properties	**26,481**	30,973
Rental income from investment properties less direct outgoing of RMB2,209,000 (2017: RMB5,000)	**(104,460)**	(28,563)
Rental income from properties for sale less direct outgoings of RMB7,925,000 (2017: RMB1,339,000)	**(32,328)**	(65,023)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2018 RMB'000	2017 RMB'000
Current tax *(note 31(a))*		
PRC Corporate Income Tax	**476,472**	554,960
PRC Land Appreciation Tax		
– Provision for the year	**213,496**	386,314
– Over-provision in prior years	**(22,528)**	(13,901)
Withholding tax	**48,400**	–
	715,840	927,373
Deferred tax *(note 31(b))*		
PRC Corporate Income Tax	**386,967**	113,411
PRC Land Appreciation Tax	**454,053**	–
	841,020	113,411
	1,556,860	1,040,784

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) *PRC Corporate Income Tax ("CIT")*
The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2017: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2017: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2017: 25%) on the estimated assessable profits for the year.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

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

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	RMB'000
Profit before taxation	**2,971,983**	1,940,066
Tax on profit before tax, calculated at 25% (2017: 25%)	**742,996**	485,017
Difference in tax rates for certain subsidiaries	**32,854**	68,069
Tax effect of non-taxable income	**(18,727)**	(76,333)
Tax effect of non-deductible expenses	**225,738**	194,374
Tax effect of unused tax losses not recognised	**60,916**	104,591
Utilisation of tax loss not recognised in prior years	**(19,083)**	(14,244)
Withholding tax	**48,400**	–
LAT	**667,549**	386,314
Over-provision of LAT in prior years	**(22,528)**	(13,901)
Tax effect of LAT	**(161,255)**	(93,103)
Income tax expense	**1,556,860**	1,040,784

6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

2018

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	4,272	–	–	–	4,272
Yan Yingchun (Resigned on 21 August 2018)	–	1,307	–	–	3,971	5,278
Liu Weixing	–	4,876	55	–	3,527	8,458
Wang Jun (Appointed on 21 August 2018)	–	3,460	20	–	5,960	9,440
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	84	–	–	–	–	84
Puah Tze Shyang	84	–	–	–	–	84
Wu Wallis (alias Li Hua)	–	219	11	–	–	230
Independent non-executive directors						
Cheung Shek Lun	202	–	–	–	–	202
Xin Luo Lin	202	–	–	–	–	202
Sun Yuyang (Appointed on 8 January 2018)	198	–	–	–	–	198
Chief executive						
Yuan Xujun	–	5,342	65	4,577	3,527	13,511
Total	770	19,476	151	4,577	16,985	41,959

6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2017

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	676	–	–	–	676
Yan Yingchun	–	997	–	–	1,316	2,313
Liu Weixing (Appointed on 24 March 2017)	–	6,360	51	514	2,633	9,558
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wu Wallis (alias Li Hua)	–	225	11	–	–	236
Independent non-executive directors						
Cheung Shek Lun	208	–	–	–	–	208
Xin Luo Lin	208	–	–	–	–	208
Muk Kin Yau (Resigned on 1 January 2018)	208	–	–	–	–	208
Chief executive						
Yuan Xujun (Appointed on 24 March 2017)	–	3,784	–	539	2,633	6,956
Chen Jianye (Resigned on 24 March 2017)	–	931	–	–	–	931
Total	798	12,973	62	1,053	6,582	21,468

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 30.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: one) are directors and one (2017: one) is CEO whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**2,643**	6,100
Discretionary bonuses	**21,205**	7,375
Share-based payments	**2,320**	1,141
Retirement scheme contributions	**74**	56
	26,242	14,672

The emoluments of these two (2017: three) individuals with the highest emoluments are within the following bands:

	2018	2017
HKD5,000,001 to HKD5,500,000	**–**	1
HKD5,500,001 to HKD6,000,000	**–**	1
HKD8,500,001 to HKD9,000,000	**–**	1
HKD13,500,001 to HKD14,000,000	**1**	–
HKD17,500,001 to HKD18,000,000	**1**	–

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000) and the weighted average of 2,605,807,674 ordinary shares (2017: 2,444,333,701 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018 '000	2017 '000
Issued ordinary shares at 1 January	**2,444,334**	2,442,271
Effect of ordinary shares issued *(note 32(a))*	**161,474**	–
Effect of share options exercised *(note 30(g))*	**–**	2,063
Weighted average number of ordinary shares at 31 December	**2,605,808**	2,444,334

8 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000 and the weighted average number of ordinary shares of 2,652,760,163 shares (2017: 2,462,316,916 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2018 RMB'000	2017 RMB'000
Profit attributable to equity shareholders (diluted)	**1,154,262**	811,365

(ii) Weighted average number of ordinary shares (diluted)

	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 December	**2,605,808**	2,444,334
Effect of deemed issue of shares under the Company's share option scheme	**46,952**	17,983
Weighted average number of ordinary shares (diluted) at 31 December	**2,652,760**	2,462,317

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	(358,273)	–	(358,273)	151,780	–	151,780
– arising on a monetary item that forms part of net investment in foreign operations	(338,350)	–	(338,350)	243,334	–	243,334
	(696,623)	–	(696,623)	395,114	–	395,114
Cash flow hedge: net movement in hedging reserve	529	–	529	41,156	–	41,156
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	86,169	(21,542)	64,627	–	–	–
Other comprehensive income	(609,925)	(21,542)	(631,467)	436,270	–	436,270

9 OTHER COMPREHENSIVE INCOME (Continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2018 **RMB'000**	2017 RMB'000
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**529**	(33,069)
Reclassification adjustments for amounts transferred to finance costs	**–**	74,225
Net deferred tax credited to other comprehensive income	**–**	–
Net movement in the hedging reserve during the period recognised in other comprehensive income	**529**	41,156
Equity investments measured at FVOCI		
Changes in fair value recognised during the period	**86,169**	–
Net deferred tax debited to other comprehensive income	**(21,542)**	–
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	**64,627**	–

10 PROPERTY, PLANT AND EQUIPMENT

2018

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2017	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Additions	14,641	3,360	959,843	12,276	8,191	998,311
Disposals	–	(951)	–	(3,282)	(6,996)	(11,229)
Transfer	–	13,108	(16,515)	4,707	–	1,300
Acquisitions of subsidiaries *(note 37(a)(ii))*	–	5,900	–	2,477	2,373	10,750
Disposals of subsidiaries *(note 37(b)(i))*	–	–	–	(662)	(454)	(1,116)
Deemed disposal of a subsidiary *(note 37(b)(ii))*	–	–	–	(345)	–	(345)
At 31 December 2017	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
At 1 January 2018	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
Additions	–	3,258	879,273	28,057	11,640	922,228
Disposals	(435)	(1,086)	–	(3,347)	(2,139)	(7,007)
Transfer	–	356,415	(357,757)	52,492	–	51,150
Acquisitions of subsidiaries *(note 37(a)(i))*	–	278,844	5,113	7,260	1,527	292,744
At 31 December 2018	299,511	3,258,676	1,903,979	454,389	65,076	5,981,631
Accumulated depreciation and amortisation:						
At 1 January 2017	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Charge for the year	(6,557)	(143,519)	–	(78,532)	(5,550)	(234,158)
Written back on disposals	–	887	–	2,586	6,864	10,337
Acquisitions of subsidiaries *(note 37(a)(ii))*	–	(3,766)	–	(1,643)	(754)	(6,163)
Disposals of subsidiaries *(note 37(b)(i))*	–	–	–	252	358	610
Deemed disposal of a subsidiary *(note 37(b)(ii))*	–	–	–	241	–	241
At 31 December 2017	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018 (Continued)

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)
Charge for the year	(8,173)	(171,002)	–	(58,805)	(6,611)	(244,591)
Written back on disposals	71	69	–	3,069	1,786	4,995
Acquisitions of subsidiaries *(note 37(a)(i))*	–	–	–	(3,849)	(516)	(4,365)
At 31 December 2018	(56,411)	(715,723)	–	(357,071)	(43,932)	(1,173,137)
Net book value:						
At 31 December 2017	251,637	2,076,455	1,377,350	72,441	15,457	3,793,340
At 31 December 2018	243,100	2,542,953	1,903,979	97,318	21,144	4,808,494

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

In the PRC:	2018 RMB'000	2017 RMB'000
Long leases	**6,996**	7,231
Medium-term leases	**236,104**	244,406
	243,100	251,637

All the property, plant and equipment of the Group are located in the PRC.

As at 31 December 2018, certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in notes 25 and 26.

As at 31 December 2018, none of the Group's property, plant and equipment (2017: RMB160,050,000) was pledged as securities of a joint venture's loan.

11 INVESTMENT PROPERTY

	Total RMB'000
At 1 January 2017	575,870
Transfer from properties for sale	477,730
Change in fair value	243,400
At 31 December 2017	1,297,000
At 1 January 2018	**1,297,000**
Transfer from properties for sale	**1,013,327**
Change in fair value	**605,673**
At 31 December 2018	**2,916,000**

Properties held for sale of RMB1,013,327,000 (2017: RMB477,730,000) were transferred from "property for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB574,872,000 (2017: RMB215,274,000) had been recognised in the consolidated income statement.

As at 31 December 2018, certain of the Group's investment properties were pledged as securities of the Group's other loans. Details are set out in note 26.

11 INVESTMENT PROPERTY (Continued)

(a) The analysis of fair value of investment properties is set out as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– long leases	**262,100**	246,900
– medium-term leases	**2,653,900**	1,050,100
	2,916,000	1,297,000

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

11 INVESTMENT PROPERTY (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	**2,916,000**	**–**	**–**	**2,916,000**

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	1,297,000	–	–	1,297,000

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018 and 2017. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(Expressed in Renminbi)

11 INVESTMENT PROPERTY (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties in the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.42 to 8.90 (2017: 0.42 to 8.51)	3.12 (2017: 3.09)
		Capitalisation rates	4.0% to 7.0% (2017: 4.5% to 7.0%)	5.95% (2017: 5.36%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 11.

Fair value adjustment of investment property is recognised in the line item "net valuation gain on investment property" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

12 INTANGIBLE ASSETS

	Licences RMB'000
Cost:	
At 1 January 2017	150,000
Addition during the year	94,340
At 31 December 2017	244,340
At 1 January 2018	244,340
Addition	337,575
At 31 December 2018	581,915
Accumulated amortisation:	
At 1 January 2017	(18,750)
Charge for the year	(21,290)
At 31 December 2017	(40,040)
At 1 January 2018	(40,040)
Charge for the year	(23,867)
At 31 December 2018	(63,907)
Net book value:	
At 31 December 2018	518,008
At 31 December 2017	204,300

The Group's intangible assets represent usage fee of trademark licences and copyright licences for externally developed intellectual properties including scene design and drama works, which are still under development and expected to be completed in 2020.

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

13 BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

The Group cultivates certain agricultural plants, mainly including landscape flowers, seedlings and trees, which are sold to customers after harvested. These plants are generally harvested between 6 to 60 months after plantation.

	Plants
	RMB'000
At 1 January 2018	–
Transfer from Inventory	159,311
Addition due to purchases	87,539
Decrease due to sales	(22,105)
Change in fair value less cost to sell	11,979
At 31 December 2018	236,724
Representing:	
Non-current	203,946
current	32,778
	236,724

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value measurements of the Group's biological assets have been categorised as Level 2 fair values based on observable market sales data.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's biological assets is determined using market comparison approach by reference to recent sales price of comparable plants with market data which is publicly available.

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	55%	Property development	Limited liability company
Anyang Central China Real Estate Company Limited*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Anyang Cheer World Management and Consulting Services Co. Ltd*	Henan, the PRC	RMB100,000,000	–	55%	Management consulting service	Limited liability company
Artstar Investments Limited	The British Virgin Islands and Hong Kong	US$10,000	–	95%	Investments holding	Private company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB171,060,000	–	100%	Hotel operation	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB598,120,000	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Business service	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000 and RMB3,000,000,000 corporate bonds with interest bearing at 6% due in 2021 *(note 29)*	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$10,000	–	100%	Investments holding	Private company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate Investments Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Changge City Yicheng Real Estate Development Co.,Ltd. *	Henan, the PRC	RMB16,000,000	–	64%	Property development	Limited liability company
Changge Jianzhi Real Estate Development Company Limited *	Henan, the PRC	RMB16,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Country Star Holdings Limited	Hong Kong	HK$1	–	95%	Investments holding	Private company
Dengfeng Cheer World Properties Co., Ltd*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Fugou Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	99%	Property development	Limited liability company
Gushi Jianhe Properties Co. Ltd*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Hebi CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investment	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Property development	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Modern Agriculture Investments Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investments	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Central China Realistic Performance Cultural Development Co., Ltd*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Central China Shihefu Real Estate Company Limited*	Henan, the PRC	RMB23,865,000	–	51%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Union Real Estate Company Limited*	Henan, the PRC	RMB960,000,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Jiaheng Properties Co., Ltd. *	Henan, the PRC	RMB30,000,000	–	55%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB735,180,000	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuanda Company Limited*	Henan, the PRC	RMB620,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Huixian Zhiteng Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiaozuo Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Jiaozuo Shihefu Properties Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	99%	Property development	Limited liability company
Jiyuan Jianteng Real Estate Development Company Limited*	Henan, the PRC	RMB50,000,000	–	78%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Dingju Real Estate Company Limited*	Henan, the PRC	RMB50,000	–	100%	Property development	Limited liability company
Kaifeng Jiandong Properties Co., Ltd*	Henan, the PRC	RMB153,000,000	–	100%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	95%	Property development	Limited liability company
Luoyang Guotai Meijule Properties Co., Ltd.* ("Luoyang Guotai Meijule")	Henan, the PRC	RMB100,000,000	–	61% (2017: 34%)	Property development	Limited liability company
Luoyang Liye Real Estate Development Company Limited* ("Luoyang Liye")	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Luoyang Yuanwang Real Estate Company Limited*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Luoyang Zunfu Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Luyi Mingdao City Investment Construction Company Limited*	Henan, the PRC	RMB30,000,000	–	41%	Property development	Limited liability company
Nanyang Hesheng Properties Co. Ltd*	Henan, the PRC	RMB840,000	–	51%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Pingdingshan Jingde Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Pingyu Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Precise Wish Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Puyang Cheer World Industrial Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Puyang Jianye City Development Company Limited*	Henan, the PRC	RMB820,000,000	–	100%	Property development	Limited liability company
Qinyang City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Runan Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Ruzhou City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Limited liability company
Sanmenxia Forest Peninsuls Zhiye Company Limited*	Henan, the PRC	RMB48,000,000	–	59%	Property development	Limited liability company
Sanmenxia Shihe Property Co., Ltd*	Henan, the PRC	RMB50,000,000	–	99%	Property development	Wholly owned foreign enterprise
Sanmenxia Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Hongda Enterprises Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100% (2017: 80%)	Property development	Limited liability company
Shangqiu Jianshang Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shangqiu Jianxing Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	70%	Property development	Limited liability company
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Jinshengyuan Industrial Co. Ltd*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Shangqiu Xindu Properties Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shenqiu County Cheer World Properties Co., Ltd*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Suiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Taikang Jianzi Real Estate development Company Limited*	Henan, the PRC	RMB15,300,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Tengye Real Estate (Xiangcheng) Company Limited*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Universal Food City Development (Henan) Co., Ltd*	Henan, the PRC	RMB353,200,000	–	100%	Property development	Limited liability company
Xiangcheng City Cheer World Properties Co., Ltd*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Xihua Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB18,515,000	–	51%	Property development	Limited liability company
Xincai Jiandong City Construction Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang xingui Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	72%	Property development	Foreign-invested enterprise
Xuchang Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company
Xuchang Jianteng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xuchang One city Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Yanling CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Yanling Central China Real Estate company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	90%	Property development	Limited liability company
Yuzhou Cheer World Construction Construction Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Ansheng Geological Culture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Gemstone design, sale, and consulting service	Limited liability company
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	100% (2017: 66.67%)	Property development	Limited liability company
Zhengzhou Dengcao Group Tianzhong Daguanyuan Company Limited* ("Zhengzhou Dengcao")	Henan, the PRC	RMB30,000,000	–	60%	Property development	Limited liability company
Zhengzhou Fengtai Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhengzhou Haoling Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	100%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Lvyuan Real Estate Company Limited*	Henan, the PRC	RMB70,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhoukou Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian City Chuncheng Properties Co.,Ltd*	Henan, the PRC	RMB20,400,000	–	31%	Property development	Limited liability company
Zhumadian Jianheng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company

Note: The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

* KPMG are not statutory auditors of these subsidiaries.

14 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to three subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial statements are as below:

	Luoyang Liye		Luoyang Guotai Meijule#	Zhengzhou Dengcao#
	2018	2017	**2018**	**2018**
	RMB'000	RMB'000	**RMB'000**	**RMB'000**
NCI percentage	**49%**	49%	**39%**	**40%**
Current assets	**751,265**	1,309,374	**1,675,827**	**553,886**
Non-current assets	**242**	365	**8,552**	**4,398**
Current liabilities	**(310,996)**	(1,201,914)	**(1,394,564)**	**(315,464)**
Non-current liabilities	**–**	–	**–**	**–**
Net assets	**440,511**	107,825	**289,815**	**242,820**
Carrying amount of NCI	**215,850**	52,834	**113,028**	**97,128**
Revenue	**1,264,309**	808,331	**83,279**	**–**
Profit for the year	**332,687**	107,548	**12,255**	**(3,819)**
Total comprehensive income	**332,687**	107,548	**12,255**	**(3,819)**
Profit allocated to NCI	**163,017**	52,699	**4,779**	**(1,528)**
Dividend paid to NCI	**–**	–	**–**	**–**
Cash flows from operating activities	**1,957**	107,381	**365,376**	**138,574**
Cash flows from investing activities	**(15)**	134	**(25)**	**–**
Cash flows from financing activities	**–**	(49,000)	**(199,755)**	**(13,100)**

These subsidiaries were acquired by the Group during the year ended 31 December 2018.

15 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**202,462**	122,746
Amounts due from associates	**247,451**	413,803
	449,913	536,549

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

The following list contains the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhengzhou Financial Island Construction & Development Group Co., Ltd. ("Zhengzhou Financial Island")	Henan, the PRC	RMB600,000,000	–	20%	Property development	Limited liability company

Note: The English name of the particulars of the associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

The above associate is accounted for using the equity method in the consolidated financial statements.

15 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Zhengzhou Financial Island	2018 RMB'000	2017 RMB'000
Gross amounts of the associate's		
Current assets	3,562,626	2,213,223
Non-current assets	2,475	1,239
Current liabilities	(1,808,092)	(1,620,386)
Non-current liabilities	(1,214,500)	–
Equity	542,509	594,076
Revenue	1,232	–
Loss from continuing operations	(51,567)	(5,925)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(51,567)	(5,925)
Dividend received from the associate	–	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	542,509	594,076
Group's effective interest	20%	20%
Group's share of net assets of the associate	108,502	118,815
Amount due from the associate	183,585	329,470
Carrying amount in the consolidated financial statements	292,087	448,285

15 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
– Aggregate share of net assets of individually immaterial associates	**93,960**	3,931
– Aggregate amount due from individually immaterial associates	**63,866**	84,333
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**157,826**	88,264
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(7,592)**	(3,237)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(7,592)**	(3,237)

16 INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**2,879,212**	3,642,625
Amounts due from joint ventures	**7,036,119**	5,383,752
	9,915,331	9,026,377

Amounts due from joint ventures included amount of RMB607,378,000 (2017: RMB1,912,713,000) which are unsecured, interest bearing at 10%-12% per annum and have no fixed terms of payment. The remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of payment. They are expected to be recovered after more than one year.

As at 31 December 2018, the Group's interest in a joint venture with carrying amount of RMB66,858,000 (2017: RMB53,197,000) was pledged against the Group's bank loan of RMB517,000,000 (2017: RMB546,000,000) (see note 25).

(Expressed in Renminbi)

16 INTERESTS IN JOINT VENTURES (Continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Hengxin Property Company Limited ("CCRE Hengxin")	Henan, the PRC	RMB220,000,000	–	28.57%[ii]	Property development	Limited company
Henan Central China Taihong Real Estate Limited	Henan, the PRC	RMB231,020,000	–	51.00%	Property development	Limited company
Henan Cental China Fuju Investment Company Limited	Henan, the PRC	RMB100,000,000	–	45.00%	Property development	Limited company
Henan Central China Haima Property Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Henan Longyu Real Estate Company Limited	Henan, the PRC	RMB77,000,000	–	60.00%	Property development	Limited company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Xinyang Tianheng Real Estate Company Limited	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited company
Zhengzhou Jianye Eighteen Cities Zhiye Company Limited	Henan, the PRC	RMB200,000,000	–	50.00%	Property development	Limited company
Zhengzhou Anyong Properties Limited	Henan, the PRC	RMB20,000,000	–	80.00%	Property development	Limited company
Zhengzhou Renji Real Estate Development Co., Ltd.	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Luoyang Zhuzong Yutai Real Estate Development Co., Ltd.	Henan, the PRC	RMB50,000,000	–	40.00%	Property development	Limited company

Notes:

(i) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

(ii) Pursuant to the investment agreement between the Group and Bridge Trust Co., Ltd., the Group paid up 54.55% of CCRE Hengxin's registered capital while the Group's effective interest in CCRE Hengxin is 28.57%, which was determined by the percentage of total investment capital paid by both joint ventures.

The above joint ventures strengthen the Group's property development business in Henan, the PRC. All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

(a) Deemed disposal of joint ventures in step acquisitions

During the year ended 31 December 2018, the Group entered into equity transfer agreements with respective joint venturers to acquire additional equity interest. Upon completion of the above transactions, these joint ventures became subsidiaries of the Group (see note 37(a)(i)).

The net gain of RMB91,432,000 on deemed disposals of these joint ventures was recognised in profit or loss during the year, by remeasuring the Group's previously held equity interests with carrying amount of RMB1,202,545,000 in these entities at the acquisition date fair value.

16 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Henan Central China Haima Real Estate Company Limited		CCRE Hengxin		Henan Central China Taihong Real Estate Limited		Henan Central China Fuju Investment Company Limited		Kaifeng Central China Real Estate Company Limited	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Gross amounts of joint ventures										
Current assets	**191,339**	566,807	**6,293,999**	5,024,892	**5,117,000**	4,862,009	**9,649,934**	9,879,503	**1,386,853**	1,529,825
Non-current assets	**2,422**	79	**91,625**	84,980	**136,689**	22,506	**104,986**	166,846	**353,125**	176,051
Current liabilities	**(67,678)**	(473,371)	**(4,110,663)**	(2,526,196)	**(4,192,717)**	(4,135,416)	**(7,241,830)**	(7,754,349)	**(501,833)**	(425,633)
Non-current liabilities	**-**	-	**(1,688,900)**	(1,970,000)	**(745,551)**	(476,300)	**(2,513,090)**	(2,292,000)	**-**	-
Equity	**126,083**	93,515	**586,061**	613,676	**315,421**	272,799	**-**	-	**1,238,145**	1,280,243
Included in the above assets and liabilities:										
Cash and cash equivalents	**8,496**	50,594	**40,109**	46,848	**134,679**	229,964	**603,711**	447,940	**7,056**	3,092
Current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**(247,400)**	-	**(80,800)**	(530,000)	**-**	-	**-**	-
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**(1,688,900)**	(950,000)	**(745,551)**	(476,300)	**(2,513,090)**	(2,292,000)	**-**	-
Revenue	**218,373**	2,573,184	**272,043**	1,868,095	**2,268,185**	460,781	**2,245,543**	-	**15,172**	125,550
(Loss)/profit from continuing operations	**115,568**	168,138	**(25,334)**	163,325	**302,622**	120,749	**(27,867)**	-	**(42,097)**	10,487
Post-tax profit or loss from discontinued operations	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income	**115,568**	168,138	**(25,334)**	163,325	**302,622**	120,749	**(27,867)**	-	**(42,097)**	10,487
Dividend received from the joint ventures	**49,800**	77,400	**-**	-	**132,600**	45,900	**-**	-	**-**	-
Included in the above (loss)/profit:										
Depreciation and amortisation	**(63)**	(90)	**(214)**	(177)	**(1,579)**	(1,644)	**(830)**	(230)	**(4,325)**	(2,692)
Interest income	**2,534**	6,145	**1,314**	1,704	**4,886**	18,069	**2,927**	4,766	**20**	78
Interest expense	**-**	-	**(213,435)**	-	**-**	-	**(38)**	-	**-**	-
Income tax expense	**(24,066)**	(61,308)	**(9,013)**	(69,176)	**(99,859)**	(49,736)	**(99,336)**	-	**(102)**	22,606
Reconciled to the Group's interest in joint ventures										
Gross amounts of net assets of the joint ventures	**126,083**	93,515	**586,061**	613,676	**315,421**	272,799	**-**	-	**1,238,145**	1,280,243
Group's effective interest	**60.00%**	60.00%	**28.57%**	28.57%	**51.00%**	51.00%	**45.00%**	45.00%	**60.00%**	60.00%
Group's share of net assets of the joint ventures	**75,650**	56,109	**167,438**	175,327	**160,865**	139,127	**-**	-	**742,887**	768,146
Amount due from joint ventures	**10**	16	**435,239**	15,664	**-**	-	**1,481,498**	2,329,824	**361,512**	222,733
Carrying amount in the consolidated financial statements	**75,660**	56,125	**602,677**	190,991	**160,865**	139,127	**1,481,498**	2,329,824	**1,104,399**	990,879

	Xinyang Tianheng Real Estate Company Limited		Henan Longyu Real Estate Company Limited		Zhengzhou Jianye Eighteen Cities Zhiye Company Limited		Zhengzhou Anyong Properties Limited		Zhengzhou Renji Real Estate Development Co., Ltd.		Luoyang Zhuzong Yutai Real Estate Development Co., Ltd.	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Gross amounts of joint ventures												
Current assets	**674,516**	632,227	**1,044,037**	1,983,035	**2,734,533**	2,725,422	**1,613,619**	1,242,240	**851,507**	309,286	**2,429,897**	1,541,458
Non-current assets	**286**	1,923	**132**	1,898	**23**	58	**544**	7,874	**86,607**	183,818	**516**	376
Current liabilities	**(620,614)**	(574,131)	**(423,758)**	(743,046)	**(1,286,070)**	(1,274,431)	**(1,105,954)**	(724,827)	**(922,371)**	(413,343)	**(1,128,418)**	(1,107,010)
Non-current liabilities	**-**	-	**(369,500)**	(878,500)	**(1,265,898)**	(1,265,898)	**-**	-	**-**	-	**(90,000)**	-
Equity	**54,188**	60,019	**250,911**	363,387	**182,588**	185,151	**508,209**	525,287	**15,743**	79,761	**1,211,995**	434,824
Included in the above assets and liabilities:												
Cash and cash equivalents	**1,762**	3,770	**32,216**	11,267	**1,707**	4,241	**275**	12,675	**5,199**	4,032	**451,599**	285,622
Current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**-**	(8,940)	**-**	-	**-**	-	**-**	-	**-**	-
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**(369,500)**	(878,500)	**(1,265,898)**	(1,265,898)	**-**	-	**-**	-	**(90,000)**	-
Revenue	**-**	-	**217,108**	-	**-**	-	**-**	-	**-**	-	**694,299**	55,998
(Loss)/profit from continuing operations	**(5,832)**	(4,174)	**(112,477)**	(40,267)	**(2,564)**	(2,646)	**(17,078)**	(3,596)	**(71,525)**	(20,238)	**72,438**	(65,178)
Post-tax profit or loss from discontinued operations	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income	**(5,832)**	(4,174)	**(112,477)**	(40,267)	**(2,564)**	(2,646)	**(17,078)**	(3,596)	**(71,525)**	(20,238)	**72,438**	(65,178)
Dividend received from the joint ventures	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Included in the above (loss)/profit:												
Depreciation and amortisation	**(75)**	(39)	**(235)**	(60)	**(34)**	-	**(178)**	-	**(26)**	(8)	**(136)**	(188)
Interest income	**6**	4	**411**	1,510	**12**	85	**31**	-	**15**	178	**1,662**	13,190
Interest expense	**-**	-	**(75,604)**	-	**-**	-	**(11,611)**	-	**(50,017)**	(26,467)	**(15,451)**	(51,533)
Income tax expense	**1,592**	927	**(1,707)**	-	**-**	-	**(1,586)**	-	**12,024**	-	**(25,189)**	(32,214)
Reconciled to the Group's interest in joint ventures												
Gross amounts of net assets of the joint ventures	**54,188**	60,019	**250,911**	363,387	**182,588**	185,151	**508,209**	525,287	**15,743**	79,761	**1,211,995**	434,824
Group's effective interest	**50.31%**	50.31%	**60.00%**	60.00%	**50.00%**	50.00%	**80.00%**	80.00%	**60.00%**	60.00%	**40.00%**	40.00%
Group's share of net assets of the joint ventures	**27,262**	30,196	**150,546**	218,032	**91,294**	92,576	**406,567**	420,230	**9,446**	47,857	**484,798**	173,929
Amount due from joint ventures	**352,222**	310,831	**176,090**	15,375	**1,273,909**	1,273,909	**1,085,715**	474,028	**607,378**	412,969	**14**	-
Carrying amount in the consolidated financial statements	**379,484**	341,027	**326,636**	233,407	**1,365,203**	1,366,485	**1,492,282**	894,258	**616,824**	460,826	**484,812**	173,929

16 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
– Aggregate share of net assets of individually immaterial joint ventures	**562,459**	1,521,096
– Aggregate amount due from individually immaterial joint ventures	**1,262,532**	328,403
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,824,991**	1,849,499
Aggregate amounts of the Group's share of those joint ventures'		
(Loss)/profit from continuing operations	**(63,700)**	52,198
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(63,700)**	52,198

17 OTHER FINANCIAL ASSETS

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)	*(i)*			
– Equity securities		**602,333**	**519,368**	–
Available-for-sale financial assets	*(ii)*			
– Equity securities, at cost		**–**	**–**	486,366
Financial assets measured amortised cost		**49,532**	**–**	–
		651,865	**519,368**	486,366

Notes:

(i) The equity securities mainly represent equity investments in various investment fund companies and investment holding companies in which the Group does not have significant influence. The Group designated its investment in these entities at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB3,000,000 were received on these investments during the year (2017: nil).

(ii) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

18 TRADING SECURITIES

	2018 RMB'000	2017 RMB'000
Listed equity securities at FVPL *(note 33(f)(i))*		
– in Hong Kong	**82,775**	97,105

19 INVENTORIES AND OTHER CONTRACT COSTS

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Inventories				
– Properties held for future development and under development for sale	*(ii)*	**46,628,504**	**19,078,086**	19,785,224
– Completed properties held for sale		**3,570,986**	**4,555,990**	4,555,990
– Others		**3,369**	**–**	–
		50,202,859	**23,634,076**	24,341,214
Other contract costs	*(iv)*	**113,120**	**35,489**	–
		50,315,979	**23,669,565**	24,341,214

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to recognise revenue arising from certain fully prepaid sales of properties under development. This has resulted in a decrease in the amount of the Group's properties under development for sale and an increase in contract assets as at that date (see notes 1(c)(ii) and 20).

(iii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to accrue interest on certain advance payments received from customers. This interest was eligible for capitalisation into the carrying value of the Group's properties under development for sale, which has resulted in an increase in that balance as at that date (see note 1(c)(ii)).

(iv) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to capitalise certain sales commissions which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see note 1(c)(ii)).

19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

(a) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**9,415,270**	10,385,586
Write down of inventories	**21,180**	64,766
Reversal of write-down of inventories	**(909)**	–
	9,435,541	10,450,352

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of inventories as a result of a change in market price.

The amount of properties for future development and under development expected to be recovered after more than one year is RMB30,615,760,000 (2017: RMB14,700,271,000). All of the other inventories are expected to be recovered within one year.

(b) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– long leases	**18,270,173**	11,370,264
– medium-term leases	**4,567,544**	2,535,776
	22,837,717	13,906,040

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank loans and other loans. Details are set out in notes 25 and 26.

At 31 December 2018, the Group's properties for sale of RMB449,954,000 (2017: Nil) were pledged as securities for a joint venture's loan.

19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

(d) Contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling and marketing expense" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB29,112,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commissions were recognised as "selling and marketing expense" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see note 1(c)(ii)).

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB63,884,000.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Contract assets				
Project management service		**137,691**	**39,360**	–
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 21)*		**42,891**	**26,880**	

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of HKFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional expected credit losses (ECLs) on contract assets. This has resulted in a decrease in this balance as at that date (see note 1(c)(i)).

(iii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified from "Trade debtors and bills receivable" under "Trade and other receivables" to contract assets (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– Project management service
  The Group's project management service include payment schedules which typically require a 30% deposit up front and stage payments over the project management service period once milestones are reached.

All of contract assets are expected to be recovered within one year (2017: except for RMB6,335,000 which were expected to be recovered more than one year and included under "Trade and other receivables").

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Contract liabilities				
Property development – advance payments received	*(ii), (iii)*	**40,470,842**	**14,011,377**	14,919,895
Project management service		**358,784**	**167,698**	167,698
		40,829,626	**14,179,075**	15,087,593

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Receipts in advance" to contract liabilities (see note 1(c)(ii)).

(iii) Upon the adoption of HKFRS 15, an opening adjustment as at 1 January 2018 was made to accrue interest on the advance payments received from customers (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Property development
  For certain fully prepaid pre-sales of properties, the Group receives 100% of the contract value as advance payments from customers when they sign the sale and purchase agreement. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period until the complete satisfaction of the performance obligation.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities (Continued)

– Property development (Continued)

For other sales of properties, the Group receives no less than 20% of the contract value as advance payments from customers when they sign the sale and purchase agreement and the rest of the consideration, if any, is typically received after relevant banks' approval of customers' mortgage loans. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the property is transferred to the customer at a point in time.

– Project management service

When the Group receives a deposit before the project management service commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 30% deposit up front and stage payments over the project management service period once milestones are reached.

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	14,179,075
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,286,526)
Increase in contract liabilities as a result of billing in advance of project management service	738,811
Increase in contract liabilities as a result of receiving advance payments during the year in respect of properties still under construction as at 31 December 2018	30,155,702
Increase in contract liabilities as a result of accruing interest expense on advances	1,042,564
Balance at 31 December	40,829,626

The amount of billings in advance of performance and advance payments received expected to be recognised as income after more than one year is RMB21,627,176,000 (2017: RMB8,892,549,000 which were included under "receipts in advance"). All of the other contract liabilities are expected to be recognised as income within one year.

21 TRADE AND OTHER RECEIVABLES

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade debtors and bills receivable, net of loss allowance	*(i),(ii)*	**43,984**	**26,880**	82,354
Other debtors		**760,281**	**896,734**	912,098
Amounts due from joint ventures		**69,092**	**35,154**	35,486
Amounts due from entities controlled by the ultimate controlling shareholder		**15,400**	**15**	15
Amounts due from non-controlling interests		**1,593,499**	**576,992**	590,619
Financial assets measured at amortised cost		**2,482,256**	**1,535,775**	1,620,572
Derivative financial instruments:				
– redemption call options embedded in senior notes *(note 28)*		**62,533**	**43,849**	43,849
– foreign exchange forward contracts (b)		**31,799**	**–**	–
– interest rate swap contracts		**552**	**–**	–
		94,884	**43,849**	43,849
		2,577,140	**1,579,624**	1,664,421

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 1(c)(i)).

(ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" and disclosed in note 20 (see note 1(c)(ii)).

Amounts due from joint ventures and non-controlling interests are unsecured, interest-free and has no fixed terms of repayment.

Amount due from entities controlled by the ultimate controlling shareholder mainly represented amount receivable due from Central China New Life Service Company Limited 河南建業新生活服務有限公司 ("Central China New Life") together with its subsidiaries, which are interest free, unsecured and to be settled according to the contract terms.

The amount of derivative financial instruments expected to be recovered or recognised as expense after more than one year is RMB75,390,000 (2017: RMB43,525,000). All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

21 TRADE AND OTHER RECEIVABLES (Continued)

(a) Aging analysis

The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	**16,241**	32,853
1 to 3 months	**5,764**	2,593
3 to 6 months	**1,073**	6,199
6 to 12 months	**7,910**	24,131
Over 1 year	**12,996**	16,578
	43,984	82,354

Trade debtors and bills receivable are due upon the invoicing.

Further details of the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 33(b).

(b) Foreign exchange forward contracts

In 2018, the Company entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The aggregate notional principal amounts of the foreign exchange forward contracts are US$350 million and the contracts will mature in 2019 and 2020 respectively. The foreign exchange forward contracts are accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy.

22 DEPOSITS AND PREPAYMENTS

As at 31 December 2018, the balance included deposits and prepayments for leasehold land of RMB4,247,968,000 (2017: RMB3,829,342,000).

23 RESTRICTED BANK DEPOSITS

	2018 RMB'000	2017 RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	**1,837,835**	1,634,073
– bills payable	**1,741,762**	490,989
	3,579,597	2,125,062

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Deposits with banks and other financial institutions	**17,924**	581,884
Cash at bank and on hand	**14,184,335**	10,701,969
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated cash flow statement	**14,202,259**	11,283,853

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 *Note 25*	Other loans RMB'000 *Note 26*	Senior notes RMB'000 *Note 28*	Corporate bonds RMB'000 *Note 29*	Options embedded in senior notes RMB'000 *Note 21*	Foreign exchange swap contracts RMB'000 *Note 27*	Foreign exchange forward contracts RMB'000 *Note 21*	Interest rate swap held as cash flow hedging instrument RMB'000	Other accruals RMB'000	Total RMB'000
At 1 January 2018	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	–	–	440,676	16,060,137
Changes from financing cash flows										
Proceeds from new bank loans	2,629,500	–	–	–	–	–	–	–	–	2,629,500
Repayment of bank loans	(1,201,671)	–	–	–	–	–	–	–	–	(1,201,671)
Proceeds from other loans	–	653,180	–	–	–	–	–	–	–	653,180
Repayment of other loans	–	(120,000)	–	–	–	–	–	–	–	(120,000)
Proceeds from new senior notes	–	–	4,967,851	–	–	–	–	–	–	4,967,851
Repayment of redemption upon maturity senior notes	–	–	(4,110,979)	–	–	–	–	–	–	(4,110,979)
Interest paid	(224,276)	(69,706)	(721,896)	(179,506)	–	–	–	–	–	(1,195,384)
Total changes from financing cash flows	1,203,553	463,474	134,976	(179,506)	–	–	–	–	–	1,622,497
Exchange adjustments	52,536	–	882,758	–	(17,093)	4,077	(1,350)	–	–	920,928
Changes in fair value	–	–	–	–	(1,591)	(5,990)	(30,449)	552	–	(37,478)
Other changes:										
Interest expenses *(note 4(a))*	56,859	60,166	85,436	21,186	–	–	–	–	40,535	264,182
Capitalised borrowing costs *(note 4(a))*	176,455	9,540	678,006	168,166	–	–	–	–	–	1,032,167
Acquisition of subsidiaries *(note 37(a))*	453,500	–	–	–	–	–	–	–	–	453,500
Total other changes	739,350	69,706	1,646,200	189,352	(18,684)	(1,913)	(31,799)	552	40,535	2,633,299
At 31 December 2018	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	481,211	20,315,933

25 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**1,756,130**	450,118
After 1 year but within 2 years	**2,232,976**	986,674
After 2 years but within 5 years	**1,368,250**	1,785,876
After 5 years	**473,125**	664,910
	4,074,351	3,437,460
	5,830,481	3,887,578

At 31 December 2018, the bank loans were secured as follows:

	2018 RMB'000	2017 RMB'000
Bank loans		
– secured	**3,419,705**	2,003,125
– unsecured	**2,410,776**	1,884,453
	5,830,481	3,887,578

At 31 December 2018, the secured bank loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018 RMB'000	2017 RMB'000
Properties for sale	**2,238,693**	721,365
Property, plant and equipment	**792,220**	792,220
Interest in a joint venture	**66,858**	53,197
	3,097,771	1,566,782

25 BANK LOANS (Continued)

The effective interest rates of bank loans of the Group at 31 December 2018 were ranged from 4.75%-9.3%(2017: 4.35%-6.50%) per annum.

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). At 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

26 OTHER LOANS

At 31 December 2018, other loans represented loans from external financial institutions and were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**593,150**	90,000
After 1 year but within 2 years	**240,030**	90,000
After 2 years but within 5 years	**–**	90,000
After 5 years	**–**	30,000
	240,030	210,000
	833,180	300,000

At 31 December 2018, the other loans were secured (2017: unsecured) as follows:

	2018 RMB'000	2017 RMB'000
Other loans		
– secured	**490,250**	–
– unsecured	**342,930**	300,000
	833,180	300,000

The effective interest rates of other loans of the Group at 31 December 2018 were ranged from 7%-12% (2017: 1.2% – 7%) per annum.

26 OTHER LOANS (Continued)

At 31 December 2018, the secured other loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018 RMB'000	2017 RMB'000
Properties for sale	**983,577**	–
Property, plant and equipment	**49,082**	–
Investment Property	**218,336**	–
	1,250,995	–

27 TRADE AND OTHER PAYABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade creditors and bills payable	**16,159,800**	8,450,966
Other creditors and accrued charges	**3,418,226**	3,285,589
Patent payable	**40,000**	35,000
Amounts due to joint ventures	**5,079,664**	9,352,517
Amounts due to associates	**225,607**	–
Amounts due to entities controlled by the ultimate controlling shareholder	**94,639**	–
Amounts due to non-controlling interests	**3,828,999**	830,852
Financial liabilities measured at amortised cost	**28,846,935**	21,954,924
Derivative financial instruments:		
– foreign exchange rate swap contract *(note 28)*	**77,252**	79,165
	28,924,187	22,034,089

27 TRADE AND OTHER PAYABLES (Continued)

Amounts due to joint ventures and associates are unsecured, interest-free and have no fixed terms of payment.

Amounts due to entities controlled by the ultimate controlling shareholder mainly included amount due to Central China New Life together with its subsidiaries of RMB78,482,000 for receiving services from these entities as disclosed in note 36 (2017: RMBNil), which are interest free, unsecured and to be settled according to the contract terms.

Amounts due to non-controlling interests included amount of RMB873,072,000 (2017: RMB105,000,000) which are unsecured, interest bearing at 12%-17% (2017: 10%) per annum and have no fixed terms of payment. The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of payment.

The amount of retention payable and derivative financial instruments expected to be settled after more than one year are RMB61,067,000 (2017: RMB47,993,000) and RMB77,252,000 (2017: RMB79,165,000), respectively. All of the trade and other payables are expected to be settled within one year.

(a) Aging analysis

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**7,839,814**	1,817,736
1-3 months	**2,543,872**	1,711,165
3-6 months	**1,440,263**	2,281,060
6-12 months	**905,144**	1,035,045
Over 12 months	**3,430,707**	1,605,960
	16,159,800	8,450,966

28 SENIOR NOTES

The movements of senior notes are set out below:

	Liability component of the senior notes RMB'000 *(note (a))*	Redemption call option RMB'000 *(note (b))*	Total RMB'000
At 1 January 2017	8,622,486	(34,617)	8,587,869
Proceeds from issuance senior notes	1,339,056	(812)	1,338,244
Transaction costs	(8,927)	–	(8,927)
Net proceeds	1,330,129	(812)	1,329,317
Interest and transaction costs amortised	18,962	–	18,962
Change in fair value *(note 4(a))*	–	(11,430)	(11,430)
Redemption	(1,098,655)	–	(1,098,655)
Exchange difference	(463,269)	3,010	(460,259)
At 31 December 2017	8,409,653	(43,849)	8,365,804
At 1 January 2018	8,409,653	(43,849)	8,365,804
Proceeds from issuance senior notes	5,047,121	(16,525)	5,030,596
Transaction costs	(62,954)	209	(62,745)
Net proceeds	4,984,167	(16,316)	4,967,851
Interest and transaction costs amortised	25,230	–	25,230
Change in fair value *(note 4(a))*	–	(1,591)	(1,591)
Redemption	(4,110,979)	–	(4,110,979)
Exchange difference	882,758	(777)	881,981
At 31 December 2018	10,190,829	(62,533)	10,128,296

Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

28 SENIOR NOTES (Continued)

(a) Liability component of the senior notes:

	Effective interest per annum	2018 RMB'000	2017 RMB'000
US$200 million due in 2020	8.13%	1,368,455	1,295,951
US$400 million due in 2018 *(note (i))*	6.71%	–	2,596,209
US$300 million due in 2021	8.91%	2,047,039	1,937,635
US$200 million due in 2021 *(note (ii))*	7.06%	1,359,000	1,285,374
US$200 million due in 2018	6.70%	–	1,294,484
US$300 million due in 2021 *(note (iii))*	6.50%	2,039,991	–
US$386 million due in 2020 *(note (iv))*	6.875%	2,623,029	–
S$150 million due in 2020 *(note (v))*	6.25%	753,315	–
		10,190,829	8,409,653
Less: amount due for maturity within 12 months (classified as current liabilities)		–	(3,890,692)
		10,190,829	4,518,961

(i) On 4 June 2018, the Company redeemed all outstanding US$400m Senior Notes upon maturity with principal amount of US$400,000,000 at the pre-determined redemption price.

(ii) On 16 July 2018, the Company redeemed all outstanding US$200m Senior Notes upon maturity with principal amount of US$200,000,000 at the pre-determined redemption price.

(iii) On 5 March 2018, the Company issued senior notes with principal amount of US$300,000,000 due in 2021. The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears and with a redemption call option.

(iv) On 23 April 2018 and 5 June 2018, the Company issued senior notes with principal amount of US$386,000,000 due in 2020. The senior notes are interest bearing at 6.875% per annum which is payable semiannually in arrears and with a redemption call option.

(v) On 2 May 2018, the Company issued senior notes with principal amount of S$150,000,000 due in 2020. The senior notes are interest bearing at 6.25% per annum which is payable semiannually in arrears and with a redemption call option.

28 SENIOR NOTES (Continued)

(b) Redemption call options embedded in senior notes:

	2018 RMB'000	2017 RMB'000
US$200 million due in 2020	**43,371**	23,907
US$400 million due in 2018	**–**	130
US$300 million due in 2021	**5,275**	19,618
US$200 million due in 2018	**–**	194
US$300 million due in 2021	**6,578**	–
US$386 million due in 2020	**5,892**	–
S$150 million due in 2020	**1,417**	–
Amount recorded in trade and other receivables	**62,533**	43,849

The assumptions applied in determining the fair value of the redemption call option at 31 December 2018 are set out as follows:

Credit spread	
US$200 million due in 2020	4.6% (2017: 5.8%)
US$300 million due in 2021	8.4% (2017: 5.7%)
US$300 million due in 2021	8.7%
US$386 million due in 2020	8.0%
S$150 million due in 2020	7.9%

(c) Other derivative financial instruments in relation to senior notes:

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US$200m Senior Notes due in 2021 by swapping the senior notes principal of US$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US$200,000,000 and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2018, the fair value of the foreign exchange rate swap contract amounted to RMB77,252,000 (2017: RMB79,165,000) (2017: note 27) is measured based on market price quoted by brokers and the fair value change gain of RMB5,990,000 (2017: loss of RMB108,549,000) is recorded under "Finance cost".

29 CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
At 1 January	**2,986,914**	2,978,128
Interest and transaction costs amortised	**9,846**	8,786
At 31 December	**2,996,760**	2,986,914

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 11 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

30 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(d) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(e) Share options granted on 12 June 2018

On 12 June 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 64,000,000 shares of the Company. The exercise price is HK$4.296 per share. The share option scheme was effective from 12 June 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(e) Share options granted on 12 June 2018 (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$1.566
Share price	HK$4.290
Exercise price	HK$4.296
Expected volatility	45.23%
Option life	10 years
Expected dividends	2.85%
Risk-free interest rate	2.92%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(f) Share options granted on 23 August 2018

On 23 August 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 37,000,000 shares of the Company. The exercise price is HK$3.470 per share. The share option scheme was effective from 23 August 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$1.392
Share price	HK$3.470
Exercise price	HK$3.470
Expected volatility	45.54%
Option life	10 years
Expected dividends	3.82%
Risk-free interest rat	2.77%

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(f) Share options granted on 23 August 2018 (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(g) The number and the weighted average exercise price of share options are as follows:

	2018		2017	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**1.89**	**116,225,920**	2.33	31,217,720
Granted during the year	**3.99**	**101,000,000**	1.76	95,000,000
Exercised during the year	**–**	**–**	2.12	(6,991,800)
Lapsed during the year	**2.40**	**(3,800,160)**	1.76	(3,000,000)
Outstanding at 31 December	**2.88**	**213,425,760**	1.89	116,225,920
Exercisable at 31 December	**2.09**	**38,825,760**	2.39	24,225,920

The options outstanding at 31 December 2018 had a weighted average exercise price of HK2.88 (2017: HK$1.89) and a weighted average remaining contractual life of 8.46 years (2017: 8.38 years).

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	CIT RMB'000	LAT RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2017	91,275	212,297	237,943	541,515
Charged to the consolidated income statement *(note 5(a))*	554,960	372,413	–	927,373
Acquisitions of subsidiaries *(note 37(a)(ii))*	(34,212)	(9,404)	–	(43,616)
Disposals of subsidiaries *(note 37(b)(i))*	10,975	(49,551)	–	(38,576)
Tax paid	(785,563)	(500,087)	(960)	(1,286,610)
At 31 December 2017	(162,565)	25,668	236,983	100,086
At 1 January 2018	**(162,565)**	**25,668**	**236,983**	**100,086**
Charged to the consolidated income statement *(note 5(a))*	**476,472**	**190,968**	**48,400**	**715,840**
Acquisitions of subsidiaries *(note 37(a)(i))*	**(39,915)**	**24,672**	**–**	**(15,243)**
Tax paid	**(1,151,768)**	**(964,832)**	**(11,276)**	**(2,127,876)**
At 31 December 2018	**(877,776)**	**(723,524)**	**274,107**	**(1,327,193)**

Note: Upon the initial application of HKFRS 15, the Group has recognised current tax liabilities arising from the earlier revenue and profit recognition for sales of properties over time (see note 1(c)(ii)).

	2018 RMB'000	2017 RMB'000
Representing:		
Taxation payable	**833,264**	1,116,940
Tax recoverable	**(2,160,457)**	(1,016,854)
	(1,327,193)	100,086

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000	LAT RMB'000	Revenue recognition for sales of properties over time RMB'000	Credit loss allowance RMB'000	Fair value changes relating to financial assets RMB'000	Amortisation of capitalized contract costs RMB'000	Revaluation of biological assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(37,043)	127,461	–	–	–	–	–	(49,212)	41,206
Credited/(charged) to the consolidated income statement *(note 5(a))*	(60,850)	(26,719)	–	–	–	–	–	(25,842)	(113,411)
At 31 December 2017	(97,893)	100,742					–	(75,054)	(72,205)
Impact on initial application of HKFRS 15	–	(5,103)	(60,313)	–	–	(8,872)	–	–	(74,288)
Impact on initial application of HKFRS 9	–	–	–	11,359	(8,250)	–	–	–	3,109
At 1 January 2018	(97,893)	95,639	(60,313)	11,359	(8,250)	(8,872)	–	(75,054)	(143,384)
Credited/(charged) to the consolidated income statement *(note 5(a))*	(151,418)	133,494	(792,200)	7,826	–	(19,408)	(2,995)	(16,319)	(841,020)
Charged to reserves	–	–	–	–	(21,542)	–	–	–	(21,542)
At 31 December 2018	(249,311)	229,133	(852,513)	19,185	(29,792)	(28,280)	(2,995)	(91,373)	(1,005,946)

Note 1: Upon the initial application of HKFRS 15, the Group has recognised deferred tax liabilities arising from the capitalisation of contract costs which had been expensed in prior periods (see note 1(c)(ii)).

Note 2: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see note 1(c)(i)).

	2018 RMB'000	2017 RMB'000
Representing:		
Deferred tax assets	**248,318**	100,742
Deferred tax liabilities	**(1,254,264)**	(172,947)
	(1,005,946)	(72,205)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(w), The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,306,814,000 (2017: RMB1,139,482,000) at 31 December 2018, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

(d) Deferred tax liabilities not recognised:

As at 31 December 2018, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB7,113,960,000 (2017: RMB5,520,889,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2018		2017	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,449,263**	**244,926**	2,442,271	244,227
Issue of shares under share option scheme	**–**	**–**	6,992	699
Issue of ordinary shares	**282,000**	**28,200**	–	–
At 31 December	**2,731,263**	**273,126**	2,449,263	244,926
RMB'000 equivalent at 31 December		**239,958**		216,916

On 5 June 2018, the Company issued and allotted a total of 282,000,000 ordinary shares with par value of HK$0.1 each to an entity controlled by Mr. Wu Po Sum of 240,000,000 shares and the third party subscribers of 42,000,000 shares at the price of HK$3.65 per share, which resulted in a share premium of RMB809,114,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(z).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

(vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

(viii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(c)(i)).

(ix) Distributability of reserves

At 31 December 2018, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2018 was RMB421,671,000 (2017: RMB280,642,000).

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(x) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital (Note 32(a)) RMB'000	Share premium (Note 32 (b)(i)) RMB'000	Exchange reserve (Note 32 (b)(iv)) RMB'000	Share-based compensation reserve (Note 32 (b)(v)) RMB'000	Hedging reserve (Note 32 (b)(vii)) RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453
Changes in equity for 2017:							
Loss for the year	–	–	–	–	–	(885,071)	(885,071)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	(54,252)	–	–	–	(54,252)
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(33,069)	–	(33,069)
– Transfer from equity to profit or loss	–	–	–	–	74,225	–	74,225
Total comprehensive income	–	–	(54,252)	–	41,156	(885,071)	(898,167)
Issue of new shares under share option scheme	594	14,467	–	(2,444)	–	–	12,617
Equity settled share-based payment *(note 4(b))*	–	–	–	12,258	–	–	12,258
	594	14,467	–	9,814	–	–	24,875
Balance at 31 December 2017 and 1 January 2018	216,916	1,680,721	16,673	26,930	–	(1,400,079)	541,161
Changes in equity for 2018:							
Loss for the year	–	–	–	–	–	(259,170)	(259,170)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	25,218	–	–	–	25,218
– Cash flow hedge:	–	–	–	–	529	–	529
Total comprehensive income	–	–	25,218	–	529	(259,170)	(233,423)
Issue of new shares	23,042	809,114	–	–	–	–	832,156
Dividend approved in respect of the previous year	–	–	–	–	–	(243,915)	(243,915)
Dividend declared in respect of the current year	–	–	–	–	–	(165,000)	(165,000)
Issue of new shares under share option scheme	–	–	–	43,059	–	–	43,059
	23,042	809,114	–	43,059	–	(408,915)	466,300
Balance at 31 December 2018	239,958	2,489,835	41,891	69,989	529	(2,068,164)	774,038

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018 **RMB'000**	2017 RMB'000
Interim dividend declared and paid of HK$7.16 cents (equivalent to RMB6.04 cents)per ordinary share (2017:Nil)	**165,000**	–
Final dividend proposed after the end of the reporting period of HK$14.12 cents (equivalent to RMB12.09 cents) per ordinary share (2017: HK$12.29 cents (equivalent to RMB9.93 cents) per ordinary share)	**330,210**	243,212

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 **RMB'000**	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$12.29 cents (equivalent to RMB9.96 cents) per ordinary share (2017: Nil)	**243,915**	–

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2018 and 2017 was as follows:

	2018 RMB'000	2017 RMB'000
Current liabilities		
– Bank loans	**1,756,130**	450,118
– Other loans	**593,150**	90,000
– Senior notes	**–**	3,890,692
– Corporate Bonds	**2,996,760**	–
	5,346,040	4,430,810
Non-current liabilities		
– Bank loans	**4,074,351**	3,437,460
– Other loans	**240,030**	210,000
– Senior notes	**10,190,829**	4,518,961
– Corporate Bonds	**–**	2,986,914
	14,505,210	11,153,335
Total debt	**19,851,250**	15,584,145
Less:		
– Cash and cash equivalents	**(14,202,259)**	(11,283,853)
Adjusted net debt	**5,648,991**	4,300,292
Total equity	**10,269,784**	8,473,169
Less:		
– Hedging reserve	**529**	–
Adjusted capital	**10,269,255**	8,473,169
Adjusted net debt-to-capital ratio	**55.0%**	50.8%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group carried out one interest rate swap contract to manage part of its interest rate exposure.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in United States Dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	2018 **RMB'000**	2017 RMB'000
Notional amount	**1,027,758**	–
Carrying amount *(note)*		
– Asset	**552**	–

Note: Interest rate swap assets is included in the "Trade and other receivables" (note 21) line items in the consolidated statement of financial position.

The swaps mature over the next two years matching the maturity of the related loans (see note 33(c)) and have fixed swap rates ranging from 2.655% to 2.775% (2017: Nil).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit and total equity by approximately RMB54,765,000 (2017: RMB39,621,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from restricted bank deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions sound credit rating for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 35(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 35. The maximum exposure to other credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

Trade receivables and contract assets

There is no significant concentration of credit risk within the Group. Trade receivables are due upon the date of billing. In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due) and 1 – 90 days past due	1.5%	162,130	2,433
91 – 120 days past due	4.2%	1,121	47
121 – 270 days past due	8.4%	7,087	595
271 – 365 days past due	20.2%	1,772	358
More than 365 days past due	50.0%	25,998	13,000
		198,108	16,433

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(m)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	32,853
1 – 3 months past due	2,593
3 – 6 months past due	6,199
6 – 12 months past due	24,131
Over 1 year past due	16,578
	82,354

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Comparative information under HKAS 39 (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December 2017 under HKAS 39	–	–
Impact on initial application of HKFRS 9 *(note 1(c)(i))*	16,114	–
Balance at 1 January	16,114	–
Amounts written off during the year	–	–
Impairment losses recognised during the year	319	–
Balance at 31 December	16,433	–

Credit risk arising from other receivables

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. Normally, the Group does not obtain collateral from debtors.

For other receivables, the Group measures a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The impairment losses on other receivables are within management's expectation.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2018					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	1,903,929	2,363,708	1,597,886	604,674	6,470,197	5,830,481
Other loans	654,095	261,333	–	–	915,428	833,180
Senior notes	743,870	5,352,276	5,594,459	–	11,690,605	10,190,829
Corporate bonds	3,003,050	–	–	–	3,003,050	2,996,760
Trade and other payables	28,947,113	101,067	–	–	29,048,180	28,924,187
	35,252,057	8,078,384	7,192,345	604,674	51,127,460	48,775,437
Financial guarantees issued:						
– Maximum amount guaranteed *(note 35)*	35,131,382	–	–	–	35,131,382	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	527,937	1,091,567	2,001,861	827,952	4,449,317	3,887,578
Other loans	96,300	96,300	108,900	33,284	334,784	300,000
Senior notes	4,372,755	361,229	4,898,081	–	9,632,065	8,409,653
Corporate bonds	179,507	3,049,808	–	–	3,229,315	2,986,914
Trade and other payables	20,919,769	106,295	–	–	21,026,064	20,824,820
	26,096,268	4,705,199	7,008,842	861,236	38,671,545	36,408,965
Financial guarantees issued:						
– Maximum amount guaranteed *(note 35)*	30,503,098	–	–	–	30,503,098	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2018 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018		2017	
	Singapore Dollars '000	**United States Dollars '000**	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	**63**	**62,908**	63	64,868
Senior notes	**(148,880)**	**(1,377,411)**	–	(1,294,547)
Bank loans	**–**	**(148,105)**	–	(146,732)
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(148,817)**	**(1,462,608)**	63	(1,376,411)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables from and net investment in PRC subsidiaries. The Group uses foreign exchanges forward contracts with notional principal amounts of US$350 million to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The contracts will mature in 2019 and 2020 respectively.

A reasonably possible increase/decrease of 5% (2017: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB591,060,000 (2017: RMB430,718,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of US$200m Senior Notes due in 2021 as discussed in notes 28(c).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 18). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of Index and other industry indications, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2017: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The Group has a team headed by the finance controller performing valuations for the financial instruments, mainly the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	82,775	82,775	–	–
Other financial assets:				
– Non-trading listed equity securities	249,419	249,419	–	–
– Unlisted equity securities	352,914	–	–	352,914
Derivative financial instruments:				
– Redemption call options embedded in senior notes	62,533	–	62,533	–
– Foreign exchange forward contracts	31,799	–	31,799	–
– Interest rate swap contracts	552	–	552	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	77,252	–	77,252	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	97,105	97,105	–	–
Derivative financial instruments:				
– Redemption call options embedded in Senior Notes	43,849	–	43,849	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	79,165	–	79,165	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of foreign exchange forward contracts and foreign exchange rate swap contract in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by reference to the net asset value of these investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018 RMB'000
Unlisted equity securities:	
At 1 January	**326,286**
Impact on initial application of HKFRS 9 at 1 January 2018	**783**
Net unrealised gains or losses recognised in other comprehensive income during the period	**25,845**
At 31 December	**352,914**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, the unlisted equity securities were stated at cost less impairment losses.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2017 and 2018.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements are as follows:

	2018 RMB'000	2017 RMB'000
– Authorised but not contracted for	**44,534,992**	12,352,427
– Contracted but not provided for	**24,153,219**	6,814,843
	68,688,211	19,167,270

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**25,619**	4,253
After 1 year but within 5 years	**93,459**	17,015
After 5 years	**517,617**	84,370
	636,695	105,638

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

35 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2018 is as follows:

	2018 **RMB'000**	2017 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	**27,135,358**	18,738,540
– the joint ventures' properties (the Group's shared portion)	**2,387,633**	4,602,718
	29,522,991	23,341,258

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures and given to trust manager of a joint venture

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB4,984,799,000 at 31 December 2018 (2017: RMB6,511,840,000). The Group closely monitors the repayment progress of the relevant loans by those joint ventures. At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreement. As at 31 December 2018, the Group extended the minimum return of RMB69,092,000 (2017: RMB35,486,000) to the trust manager, which is receivable from the joint venture. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

35 CONTINGENT LIABILITIES (Continued)

(c) Liquidity support given to Henan Jianye Property Management Company Limited 河南建業物業管理有限公司 ("Jianye Property Management")

In April 2016, the Group provided liquidity support, not exceeding RMB650,000,000, in favour of Jianye Property Management, a subsidiary of Central China New Life, for the outstanding amount in relation to its Asset-backed Securities of RMB850,000,000. The liquidity support fee of RMB1,747,000 was recognised in 2018 (2017: RMB1,950,000).

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2018 are as follows:

	Note	**2018 RMB'000**	2017 RMB'000
Project management service income from joint ventures or associates		**70,446**	10,081
Interest income from joint ventures	*(i)*	**66,642**	32,556
Interest income from non-controlling interests	*(i)*	**–**	518
Interest expenses to non-controlling interests	*(ii)*	**(32,500)**	(2,527)
Receiving services from entities controlled by the ultimate controlling shareholder	*(iii)*	**(114,080)**	(2,915)
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder		**4,437**	–

Notes:

(i) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(ii) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.

(iii) In December 2017, the ultimate controlling shareholder of the Company acquired 100% of the equity interest in Central China New Life from its former equity interest owner. Central China New Life, together with its subsidiaries, provides various types of services for the Group, mainly including consultation service of RMB26,297,000, hotel management service of RMB11,089,000, tourism service of RMB14,382,000, vacant property management service of RMB7,071,000, marketing centre management service of RMB7,377,000, real estate agency service of RMB34,064,000, marketing consultation service of RMB6,900,000 and VIP club member service of RMB6,900,000 and other miscellaneous services.

(iv) On 24 September 2018, the Group entered into an acquisition agreement with Joy Bright Investments Limited whose equity interest was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company pursuant to which, the Group agreed to acquire 100% equity interests in Great Fine Investments Limited ("Great Fine Investments") at the consideration of RMB290,000,000. Upon completion of the acquisition, Great Fine Investments was 100% owned by the Group, and became a subsidiary of the Group.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rendering service to, receiving services and acquiring equity interests from entities controlled by the ultimate controlling shareholder above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections "Connected transactions" and "Continuing connected transactions" of the Directors' Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries

(i) Acquisitions in 2018

During the year ended 31 December 2018, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration
					RMB'000
5 January 2018	Xinyang Jigongshan Central China Tianming Construction Development Company Limited*	0%	60%	60%	109,700
6 January 2018	Xinyang Jigongshan Central China Tianming Mancheng Real Estate Company Limited*	0%	60%	60%	6,000
7 January 2018	Kaifeng Dingsheng Real Estate Company Limited*	0%	50.98%	50.98%	5,100
31 March 2018	Zhengzhou Central China Tianming Property Company Limited*	66.66%	33.34%	100%	560,750
31 March 2018	Zhengzhou Dengcao	0%	60%	60%	147,982
1 July 2018	Jiyuan Huling Jingkai Real Estate Company Limited*	0%	51%	51%	15,300
1 July 2018	Nanyang Zhonghe Real Estate Company Limited*	0%	55%	55%	30,315
31 July 2018	Xinmi Lizhi Real Estate Company Limited*	0%	90%	90%	54,200
30 October 2018	Great Fine Investments	0%	100%	100%	290,000
31 October 2018	Anyang Central China City Development Company Limited*	49.5%	5.5%	55%	5,500
31 October 2018	Luoyang Guotai Meijule	34%	27%	61%	85,660
30 November 2018	Nanyang Guoxing Real Estate Company Limited*	0%	100%	100%	11,764

* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(i) Acquisitions in 2018 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	**Adjustments** RMB'000	**Recognised values on acquisition** RMB'000
Property, plant and equipment	218,284	70,095	288,379
Intangible assets	5	–	5
Deferred tax assets	2,856	–	2,856
Tax recoverable	70,706	–	70,706
Inventories and other contract costs	4,735,873	386,300	5,122,173
Trade and other receivables	2,637,720	–	2,637,720
Deposits and prepayments	54,609	246,305	300,914
Restricted bank deposits	24,698	–	24,698
Cash and cash equivalents	814,323	–	814,323
Bank loans	(453,500)	–	(453,500)
Taxation payable	(48,701)	(6,763)	(55,464)
Trade and other payables	(3,134,385)	–	(3,134,385)
Contract liabilities	(2,591,172)	–	(2,591,172)
Net identified assets and liabilities	2,331,316	695,937	3,027,253
Non-controlling interests			(411,005)
			2,616,248
Satisfied by:			
Cash			1,322,271
Fair value of previously held interests in joint ventures as at acquisition date			1,293,977
			2,616,248
Total consideration paid			1,322,271
Total cash and cash equivalents acquired			(814,323)
Net cash outflow			507,948

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(i) Acquisitions in 2018 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,443,159,000 and profit attributable to the equity shareholders of the Company of RMB292,054,000 to the Group for the year ended 31 December 2018. Should the acquisitions had occurred on 1 January 2018, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2018 would have been RMB15,066,651,000 and RMB1,189,607,000 respectively.

The Group incurred acquisition-related costs of RMBNil, and have been included in "general and administrative expenses".

(ii) Acquisitions in 2017

During the year ended 31 December 2017, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
					RMB'000
17 January 2017	Zhumadian City Chuncheng Properties Company Limited*	0%	51%	51%	10,400
18 January 2017	Changge City Yicheng Real Estate Development Company Limited*	0%	70%	70%	36,350
29 March 2017	Puyang City Lima Beer Company Limited*	0%	60%	60%	21,288
31 March 2017	Henan Central China Union Zhiye Company Limited*	65.63%	34.37%	100%	330,000
31 March 2017	Henan Longyu Real Estate Company Limited*	70%	30%	100%	124,949
9 June 2017	Shangqiu Hongda Enterprises Company Limited*	0%	80%	80%	40,721

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
					RMB'000
31 July 2017	Shangqiu Xindu Properties Company Limited*	0%	100%	100%	–
3 August 2017	Henan Jiaheng Properties Company Limited*	0%	100%	100%	16,500
7 August 2017	Shangqiu City Zhiyuan Real Estate Development Company Limited*	0%	51%	51%	–
29 August 2017	Beijing Lande Huifeng Real Estate Development Company Limited*	0%	100%	100%	230,000
30 August 2017	Shangqiu Jinshengyuan Industrial Company Limited*	0%	51%	51%	10,200
20 September 2017	Zhengzhou Fengtai Properties Company Limited*	0%	70%	70%	59,400

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37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	4,587	–	4,587
Interests in joint ventures	20,000	–	20,000
Tax recoverable	43,616	–	43,616
Inventories and other contract costs	2,147,785	493,093	2,640,878
Trade and other receivables	1,493,269	–	1,493,269
Deposits and prepayments	108,118	–	108,118
Restricted bank deposits	85,998	–	85,998
Cash and cash equivalents	255,482	–	255,482
Bank loans	(1,022,800)	–	(1,022,800)
Trade and other payables	(901,800)	–	(901,800)
Receipts in advance	(954,032)	–	(954,032)
Net identified assets and liabilities	1,280,223	493,093	1,773,316
Non-controlling interests			(106,520)
			1,666,796
Satisfied by:			
Cash			879,808
Carrying amount of interests in joint ventures as at acquisition date			786,988
			1,666,796
Total consideration paid			879,808
Total cash and cash equivalents acquired			(255,482)
Net cash outflow			624,326

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,567,973,000 and profit attributable to the equity shareholders of the Company of RMB44,729,000 to the Group for the year ended 31 December 2017. Should the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 would have been RMB13,894,349,000 and RMB813,028,000 respectively.

The Group incurred acquisition-related costs of RMB229,000, and have been included in "general and administrative expenses".

(b) Disposal/deemed disposal of subsidiaries

During the year ended 31 December 2018, the Group did not dispose any subsidiaries.

(i) Disposals of subsidiaries in 2017

During the year ended 31 December 2017, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group retained certain equity interests in Zhengzhou Anyong Properties Limited and Henan Longyu Real Estate Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration
					RMB'000
15 February 2017	Zhengzhou Central China Kairun Real Estate Company Limited*	85%	85%	0%	–
21 February 2017	Henan Central China Kaipu Commercial Development Company Limited*	80%	80%	0%	–
21 July 2017	Zhengzhou Anyong Properties Limited*	100%	20%	80%	150,000
27 December 2017	Henan Longyu Real Estate Company Limited*	100%	40%	6%	145,000

* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal/deemed disposal of subsidiaries (Continued)

(i) Disposals of subsidiaries in 2017 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	506
Inventories and other contract costs	1,792,053
Trade and other receivables	1,356,342
Deposits and prepayments	1,488
Tax recoverable	4,744
Restricted bank deposits	22,668
Cash and cash equivalents	11,412
Bank loans	(1,037,440)
Trade and other payables	(1,306,599)
Receipts in advance	(30,560)
Taxation payable	(43,320)
Non-controlling interests	(24,802)
Net assets	746,492
Net gain on disposals of subsidiaries *(note 3)*	189,647
	936,139
Satisfied by:	
Cash	295,000
Interests in joint ventures	641,139
	936,139
Total consideration received	295,000
Total cash and cash equivalents disposed	(11,412)
Net cash inflow	283,588

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal/deemed disposal of subsidiaries (Continued)

(ii) Deemed disposal of a subsidiary in 2017

During the year ended 31 December 2017, an investor invested in the below subsidiary, which diluted the Group's equity interests in the entity. Details of the deemed disposal of a subsidiary during the year are summarised as follows:

Dates of deemed disposal	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 May 2017	Zhengzhou Jianye Eighteen Cities Zhiye Company Limited*	100%	50%	50%

* The English name of the above company in the PRC is translated by management only for the purpose of these financial statements

The deemed disposal of a subsidiary had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	104
Inventories and other contract costs	10,523
Deposits and prepayments	2,633,456
Cash and cash equivalents	903
Trade and other payables	(2,545,546)
Net assets	99,440
Net gain on deemed disposal of a subsidiary *(note 3)*	280
	99,720
Satisfied by:	
Interests in a joint venture	99,720
Total cash and cash equivalents disposed	(903)
Net cash outflow	(903)

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
Non-current asset			
Interests in subsidiaries		**12,138,931**	9,885,326
Current assets			
Derivative financial instruments		**94,862**	43,849
Cash and cash equivalents		**14,644**	216,264
Deposits and prepayments		**76,240**	6,302
Trade and other receivables		**7,126**	–
		192,872	266,415
Current liabilities			
Trade and other payables		**(352,160)**	(247,725)
Bank loans		**(256,940)**	–
Senior notes		**–**	(3,890,692)
		(609,100)	(4,138,417)
Net current liabilities		**(416,228)**	(3,872,002)
Total assets less current liabilities		**11,722,703**	6,013,324
Non-current liabilities			
Bank loans		**(757,836)**	(953,202)
Senior notes		**(10,190,829)**	(4,518,961)
		(10,948,665)	(5,472,163)
NET ASSETS		**774,038**	541,161
CAPITAL AND RESERVES	*32(b)(ix)*		
Share capital		**239,958**	216,916
Reserves		**534,080**	324,245
TOTAL EQUITY		**774,038**	541,161

Approved and authorised for issue by the board of directors on 27 March 2019.

Wu Po Sum
Executive Director

Liu Weixing
Executive Director

39 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Revenue recognition for sales of properties

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Due to the contractual restrictions with the customer, the Group shall not change or substitute the property unit or redirect the property unit for another use and thus the property unit does not have an alternative use to the Group. However, it requires management to exercise significant judgement to determine whether there is an enforceable right to payment for performance completed to date, which depends on the terms of sales and purchase agreement and the interpretation of the applicable laws that apply to the contract. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales and purchase agreements. Management uses judgments, based on legal counsel opinion, to classify sales and purchase agreements into those with right to payment for performance completed to date and those without the right.

The Group recognises revenue from sales of properties progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method based on the proportion of the actual costs incurred relative to the estimated total costs. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. The actual outcomes in terms of total cost or the progress towards complete satisfaction may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Valuation of investment property

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Valuation of investment property (Continued)

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(c) Impairment for buildings and construction in progress

As explained in note 1(m), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Assessing the net realisable value of properties for sale

As explained in note 1(o), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

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 provision for properties 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.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(f) CIT and LAT

As disclosed in note 5, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

(g) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes, foreign exchange forward contracts and foreign exchange rate swap contract of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 28. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 29 January 2019, the Company issued senior notes with principal amount of US$200,000,000. The senior notes are interest bearing at 7.325% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 27 January 2020. The details of the redemption price are disclosed in the relevant offering memorandum published by the Company on 30 January 2019.

(b) On 30 January 2019, the extraordinary general meeting held by the Group approved the entering into of the equity transfer agreement with Joy Bright Investments Limited, the equity interest of which was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company, dated 14 December 2018 to acquire 100% equity interest in Pacific Prestige Holdings Limited at the consideration of RMB765,000,000.

c) On 29 January 2019, the Group entered into an acquisition agreement with Bridge Trust Co., Ltd., pursuant to which, the Group agreed to acquire 45.45% equity interests in CCRE Hengxin at the consideration of RMB709,685,000. Upon completion of the acquisition, CCRE Hengxin was 100% owned by the Group, and became a subsidiary of the Group.

(d) As disclosed in Note 29, the Group may at its option adjust the coupon rate of the Corporate Bonds issued on 13 April 2016 and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price. On 1 March 2019, the Group has commenced the implementation of sale back regarding the Corporate Bonds and, based on current market condition, decides to raise the coupon rate by 120 basis points to 7.20%, which will remain unchanged for the last two years of the duration (12 April 2019 to 11 April 2021).

(e) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 32(c)(i).

(Expressed in Renminbi)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 34(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB636,695,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB267,516,000 and RMB293,136,000, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Summary of Financial Information

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**14,783,480**	13,879,207	9,495,022	12,562,724	9,228,763
Profit before taxation	**2,971,983**	1,940,066	1,027,511	1,741,299	1,956,836
Income tax	**(1,556,860)**	(1,040,784)	(623,391)	(937,264)	(999,244)
Profit for the year	**1,415,123**	899,282	404,120	804,035	957,592
Attributable to:					
Equity shareholders of the Company	**1,154,262**	811,365	402,973	801,290	883,301
Non-controlling interests	**260,861**	87,917	1,147	2,745	74,291
	1,415,123	899,282	404,120	804,035	957,592
Earnings per share (RMB cents)					
– Basic	**44.30**	33.19	16.50	32.84	36.27
– Diluted	**43.51**	32.95	16.50	32.84	36.26

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Assets					
Non-current assets	**19,711,875**	15,444,674	10,352,722	10,286,536	7,411,809
Current assets	**82,250,500**	47,082,511	33,973,078	29,471,468	29,938,289
Total assets	**101,962,375**	62,527,185	44,325,800	39,758,004	37,350,098
Liabilities					
Current liabilities	**(75,933,117)**	(42,669,432)	(24,390,646)	(24,215,552)	(22,073,291)
Non-current liabilities	**(15,759,474)**	(11,384,584)	(12,937,828)	(8,224,933)	(8,209,891)
Total liabilities	**(91,692,591)**	(54,054,016)	(37,328,474)	(32,440,485)	(30,283,182)
Net assets	**10,269,784**	8,473,169	6,997,326	7,317,519	7,066,916
Equity					
Total equity attributable to equity shareholders of the Company	**8,837,090**	7,694,673	6,422,063	6,798,660	6,443,162
Non-controlling interests	**1,432,694**	778,496	575,263	518,859	623,754
Total equity	**10,269,784**	8,473,169	6,997,326	7,317,519	7,066,916

建業地產股份有限公司
Central China Real Estate Limited