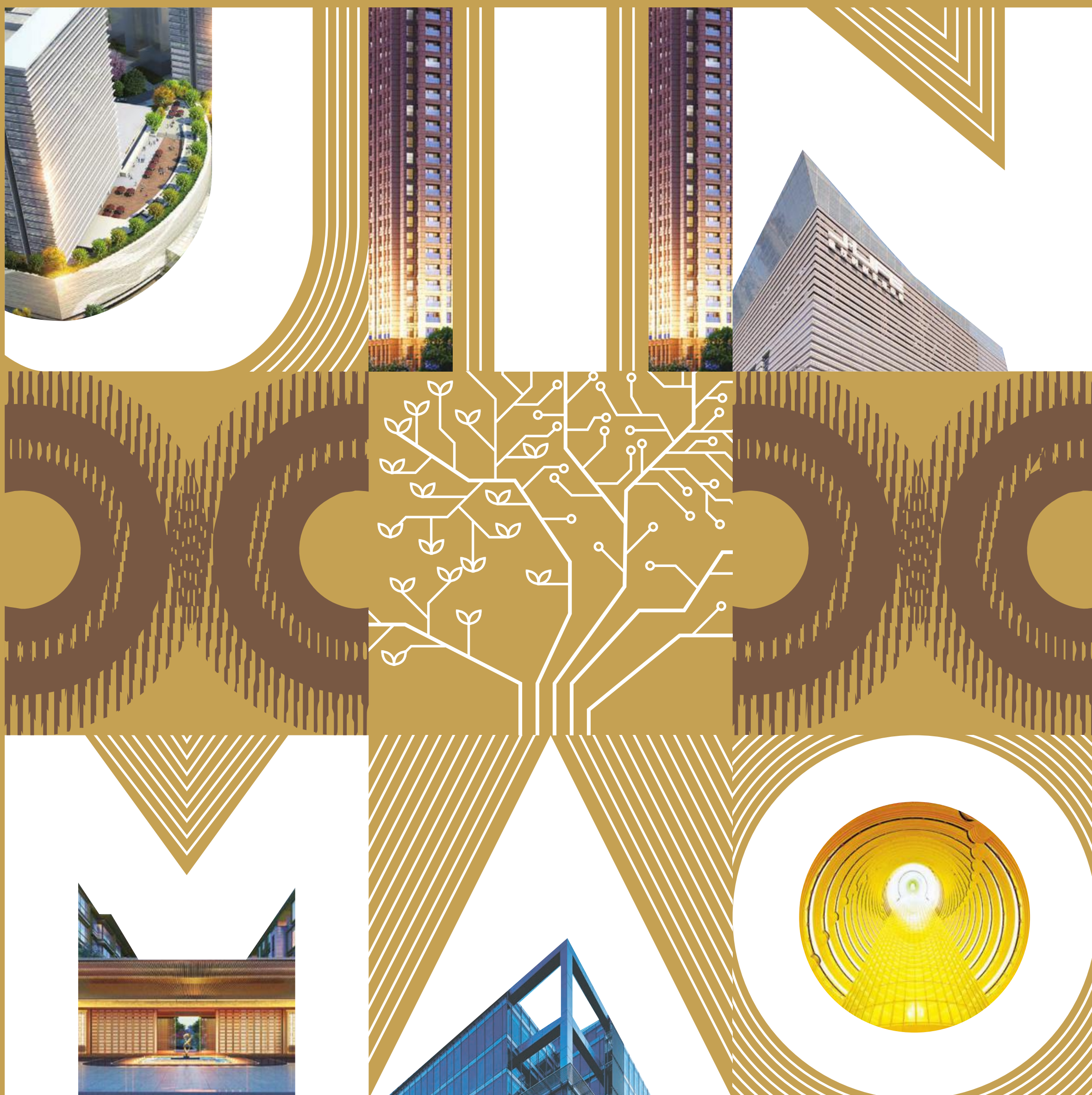
JINMAO 中国金茂



ANNUAL REPORT 2018

CHINA JINMAO HOLDINGS GROUP LIMITED (Incorporated in Hong Kong with limited liability) Stock Code: 00817

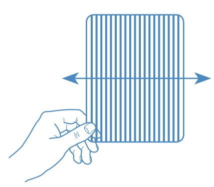
A SINOCHEM Company

釋放城市未來生命力
UNLEASHING FUTURE VITALITY OF THE CITY

Building an innovative ecological system

Adhering to the principle of "In Science We Trust and Unity of Knowledge and Action", China Jinmao endeavours to strengthen the subject, method and culture of innovation with focus on smart technology and green health while centring on the potential demand of customers, and continues to push ahead technological innovation and product upgrade in leading and enhancing a better life in the future.

Slide the panel horizontally over the illustration.



Contents

Company Overview

China Jinmao Holdings Group Limited ("China Jinmao" or the "Company") is a platform enterprise under the real estate and hotel segments of Sinochem Group Co., Ltd., one of the world's top 500 enterprises. On 17 August 2007, China Jinmao was listed on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange") (Stock Code: HK.00817). It is now one of the component stocks of the Hong Kong Hang Seng Composite Index. Sinochem Group Co., Ltd. is one of the state-owned enterprises that is approved by the SASAC of the State Council to engage in property development and hotel operations as one of its principal businesses.

In adherence to the vision of "Unleashing Future Vitality of the City", China Jinmao holds on to the direction of high-end positioning and premium quality and endeavours to become a leading city operator in China by capitalising on the quality leadership-oriented "two-wheel and two-wing driven" development strategy with focus on the model of "two-driven and two-upgrade" city operations. Based on its foresight on city potentials, China Jinmao integrates the world's leading premium resources and introduces the concept of mutually beneficial city planning to achieve overall enhancement in regional functions and city vitality. Currently, China Jinmao has succeeded in entering the markets in 40 core cities of the five major regions namely North China, East China, South China, Central China and Southwest China.

Capitalising on the synergies and integration strengths between the segments, China Jinmao has created a series of high-end products featuring "Jinmao" brand. The "green gold label" standard of its "green technology and Jinmao quality" has become a unique quality gene and inherent brand feature of "Jinmao" series products and redefined high-end quality in the industry.

CITY OPERATIONS

FINANCE AND SERVICES

RETAIL OPERATIONS

PROPERTY DEVELOPMENT

COMMERCIAL LEASING

HOTEL OPERATIONS

ADHERING TO THE STRATEGIC POSITIONING OF "CITY OPERATOR"

The Company will fully utilise its experience in city operations, hold on to planning-driven as traction and capital-driven as cornerstone to drive city upgrade and industry upgrade, and work with governments to shape a new city core.

Planning-driven

Actively capitalise on the Company's professional expertise in planning to achieve function diversification, high-end oriented industry and city internationalisation based on integrated, systematic, forward-looking and scientific planning.

Capital-driven

Leverage on the Company's funding and credit advantages and capitalise on the role of JM Capital Limited ("JM Capital") in expanding funding channels and facilitating industry implementation as part of its capital-driven regional development efforts to achieve production led by investment.

Industry upgrade

Focus on the three major industries namely big culture, big healthcare and big technology while capitalising on its leading force of Beijing Jinmao Green Building Technology Co., Ltd. ("Jinmao Green Building") in science and technology industry, actively study the logistics industry, and drive industry upgrade of cities via industry cooperation and incubation.

City upgrade

Leverage on the Company's accumulated product strengths and brand influence in areas of quality residence, high-end hotel, premium retail and 5A office building to drive consumption upgrade and functional upgrade of cities.

IN SCIENCE WE TRUST WITH FOCUS ON INNOVATION-DRIVEN TRANSFORMATION

Adhering to the principle of "In Science We Trust", the Company endeavours to strengthen its positioning as city operator and continues to push ahead the "two-wheel and two-wing driven" development strategy with focus on smart technology and green health. At the same time, centring on the dual eco-circle of "city operations" and "Jinmao Palace 2.0" to drive technological innovation and product upgrade and enrich the business model with city operations as the core, the Company cultivates new growth points to accelerate transformation toward the technology-driven innovative enterprise.

CITY AND PROPERTY DEVELOPMENT

Strong Performance

Property development projects and primary land development projects with an area yet to be delivered of approximately 41.48 million square metres and approximately 21.30 million square metres respectively

During the Year, sales results of the projects were good, contracted sales amount increased by 85% year-on-year, and land reserves were expanded with the successful acquisitions in Beijing, Shanghai, Guangzhou, Xuzhou, Kunming, Dongguan, Quanzhou, Changzhou, Nantong, Zhuzhou, Kaifeng, Huzhou, Shaoxing, Taizhou, Guiyang, Jinan and Jiaxing

CONTRACTED SALES AMOUNT
(RMB million)

2018 128,000.0
2017 69,300.0

COMMERCIAL LEASING AND RETAIL OPERATIONS

Stable Income

Nine high-quality investment properties with a total gross floor area of approximately 780,000 square metres. The rental revenue increased by 6% year-on-year. High rental level and high occupancy rate of the Group's investment properties, outperforming its peers

RENTAL REVENUE
(RMB million)

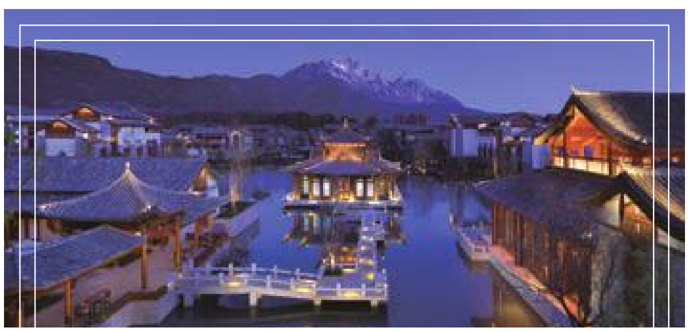
2018 1,449.8
2017 1,370.0

HOTEL OPERATIONS

Industry Leader

Ten luxury hotels offering 3,975 guest rooms

Remarkable performance of hotel operations, outperforming its peers



HOTEL REVENUE
(RMB million)

2018 2,047.9
2017 2,070.0

Major Events

FEBRUARY 2018

- The Company acquired the land parcel no. Sudi 2017-WG-73 in Suzhou.
- The Company acquired the land parcel located at Chang'an University Town, Chang'an, Xi'an.
- The Company acquired the land parcel no. P(2018) 001 located at Wanshan Village, Yangluo, Wuhan.

MARCH 2018

- The Company issued RMB1,250 million RMB denominated senior guaranteed notes.
- The Company acquired the land parcel located at Xinlong Village, Lecong Town, Foshan.
- The Company acquired the land parcel no. 2018-1 in Tongshan District, Xuzhou.
- The Company acquired the land parcel no. S2017-07 in Quanzhou.

APRIL 2018

- The Company issued RMB3,000 million domestic unsecured medium-term notes.
- The Company acquired the land parcel located at Lanyi Aircraft Manufacturing Plant, Zhonglou District, Changzhou.

MAY 2018

- The Company and the Administrative Committee of West Coast New Area of Qingdao entered into the strategic cooperation framework agreement on "Qingdao West Coast Innovation and Technology City".

JULY 2018

- The Company acquired the land parcel no. R18017 in Chongchuan District, Nantong.

AUGUST 2018

◎ The Company and the Administrative Committee of Zhangjiagang New and High-Tech Zone entered into the cooperation agreement on "Zhangjiagang Smart Science City" project.

◎ The Company and the government of Jimo District, Qingdao entered into the cooperation agreement on "Qingdao Jimo International New City" project.

SEPTEMBER 2018

◎ The Company acquired the land parcel no. 39 in Bianxi New Area, Kaifeng.

◎ The Company and the government of Fenghua District, Ningbo entered into the cooperation agreement on "Ningbo Life Science City" project.

OCTOBER 2018

◎ The Company organised China Jinmao • Jinmao Palace 2.0 press conference.

NOVEMBER 2018

◎ The Company issued RMB1,540 million property management fee ABS.

DECEMBER 2018

◎ The Company issued US$300 million senior guaranteed perpetual capital securities.

◎ The Company issued RMB2,000 million domestic unsecured perpetual medium-term notes.

◎ The Company and the government of Rui'an entered into the cooperation agreement on "Rui'an Eco Science City" project.

Corporate Information

COMPANY NAME

China Jinmao Holdings Group Limited

PRINCIPAL OFFICE

Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

NON-EXECUTIVE DIRECTORS

Mr. NING Gaoning (Chairman)
Mr. YANG Lin
Mr. AN Hongjun

EXECUTIVE DIRECTORS

Mr. LI Congrui (Chief Executive Officer)
Mr. JIANG Nan (Chief Financial Officer)
Mr. SONG Liuyi (Senior Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, G.B.S., J.P.
Mr. SU Xijia
Mr. GAO Shibin

CHIEF FINANCIAL OFFICER

Mr. JIANG Nan

QUALIFIED ACCOUNTANT

Mr. LIAO Chi Chiun

COMPANY SECRETARY

Mr. LIAO Chi Chiun

AUTHORISED REPRESENTATIVES

Mr. LI Congrui
Mr. JIANG Nan

LEGAL ADVISORS

Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Tian Yuan Law Firm
10/F, CPIC PLAZA
28 Fengsheng Lane, Xicheng District
Beijing, People's Republic of China

AUDITOR

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

STOCK CODE

00817

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

INVESTOR ENQUIRY

Tel: 852-28299518
Fax: 852-28240300
Email: chinajinmao_IR@sinochem.com

WEBSITE

www.chinajinmao.cn

Financial Highlights

	2018 (RMB million)	2017 (RMB million)	Percentage change (%)
Revenue	**38,732.7**	31,074.8	25
Gross profit	**14,538.2**	10,040.6	45
Profit attributable to owners of the parent – excluding fair value gains on investment properties (net of deferred tax)	**5,084.1**	3,905.0	30
Add: fair value gains on investment properties (net of deferred tax)	**126.8**	72.7	74
Profit attributable to owners of the parent	**5,210.9**	3,977.7	31
Total assets	**271,638.2**	222,044.4	22
Equity attributable to owners of the parent	**35,796.2**	32,852.1	9
Basic earnings per share (RMB cents)	**45.28**	37.27	21
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (RMB cents)	**44.17**	36.59	21
Dividend (HK cents) (Note 1)			
– final and interim dividend per share	**22.00**	18.00	22
– special interim dividend per share	**–**	8.17	N/A
Net debt-to-adjusted capital ratio (%) (Note 2)	**71**	69	N/A

Note 1: Interim dividend of HK12 cents per share and final dividend of HK10 cents per share (totalling HK22 cents per share) for 2018. Final dividend of HK18 cents per share and special interim dividend of HK8.17 cents per share for 2017.

Note 2: Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances – certain other financial assets/(total equity + amount due to the immediate holding company).

Chairman's Statement

Adhering to the principle of "In Science We Trust", China Jinmao will endeavour to strengthen its positioning as city operator and continue to push ahead the "two-wheel and two-wing driven" development strategy with focus on smart technology and green health to drive technological innovation and product upgrade and to enrich its business model that features city operations as the core toward the goal of becoming the first-tier team in terms of overall capabilities in the industry.

NING Gaoning
Chairman

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of China Jinmao, I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the year ended 31 December 2018 (the "Period under Review", "Reporting Period", "2018" or the "Year").

In 2018, the global political and economic conditions were complex and changeable. Facing the persistent impacts from the external environment, China pushed ahead the reform and opening-up, adhered to the innovation-led strategy and accelerated the switching of new and old functions. The economic landscape in China was steady as a whole. The austerity measures remained demanding. Various regional governments actively implemented the austerity measures. Under the overall tone of financial risk management, real estate financing was significantly tightened. Faced with such severe external environment, China Jinmao focused on city operations following the principle of "In Science We Trust and Unity in Knowledge and Action" to drive innovative development. The operating results and profitability of the Company during the Year set another record high. In particular, the contracted sales amount amounted to RMB128.0 billion, up by 85% year-on-year. During the Reporting Period, the profit attributable to owners of the parent amounted to RMB5,210.9 million, representing a year-on-year increase of 31%; and the profit attributable to owners of the parent less fair value gains on investment properties (net of deferred tax) amounted to RMB5,084.1 million, representing a year-on-year increase of 30%.

The Company remained committed to its strategy and continued to consolidate the strategic positioning as city operator and enriched the contents of the city operations model, while adhering to the "two-wheel and two-wing driven" development strategy with a view to enhancing the overall strength of the Company.

City operations continued to power up. The city development in China gradually focused on the new-type urbanisation strategy of boosting urbanisation among people and enhancing quality. Closely following the urban evolution and succession rule, China Jinmao explored deeply into the city operations development model and established the city operations strategy implementation system in adherence to the "two drivens" and "two upgrades" operation philosophy while upholding the principle of "In City We Gather People and Boost Business". Centring on the three major industry layouts of "big technology, big culture and big health", China Jinmao strengthened the linkage and integrated internal and external resources. By entering into strategic cooperation with leading enterprises including iFlytek, China Jinmao accelerated the setting up of an industry alliance. In 2018, the Company facilitated the contract signing for 309 industry resources, officially launched three city operations projects including Zhangjiagang Smart Science City and entered into 26 new framework cooperation agreements. Up to the end of 2018, China Jinmao has cumulatively obtained and identified 13 city operations projects, which further consolidated the image of the Company as a city operator. The Company won the "2018 City-Industry Operator Innovation Award" and "Leading City Operators" award etc. Its business model was recognised by the industry.

Property development business recorded high quality growth. Adhering to a proactive and sound layout strategy, the Company successfully penetrated into 14 new cities including Jinan, Xi'an and Kunming since 2018, adding to a total of 40 cities, thus establishing a balanced layout in the core cities across China. During the Year, it acquired 68 new projects and 22.64 million square metres of new land reserves. While expanding rapidly in size, the Company remained committed to its mission of "Build quality for better life" and took a customer-centric approach to focus on quality enhancement in response to the people's pursuit for better life. It successfully developed Jinmao Palace into a star-rated benchmark for green technology residence with profitability leading its industry peers.

At the same time, the Company rolled out "first sales launch record setting incentive" to enhance operating efficiency and kicked off the "rock campaign 2.0" with surveying results of the projects setting industry benchmark. Capitalising on "Jinmao Luxuriance" platform, it endeavoured to enhance the customer service management system. Residential customers' satisfaction attained industry benchmark level for the first time.

Property holding business results grew steadily. Hotel business fully capitalised on the opportunities arising from market recovery and performance of the hotels held by it was top-tier in terms of competitiveness. Meanwhile, the hotel business actively developed the self-operating capability and steadily pushed forward the light asset management export while expanding the new online sales channel, thus further enhancing its core competitiveness. The Company's retail business continued to strengthen tenant recruitment adjustment and used facilities renovation to cater for the demand of city consumption upgrade while promoting multi-dimension experience innovation of physical retail shops. During the Year, EBITDA increased by 25% year-on-year. In particular, revenue from Changsha Mall of Splendor increased by 54%. Jinmao's retail brand influence was gradually growing.

Competitive strengths of the two-wing business were consolidated. The Company's green building business continued to focus on smart energy. In 2018, it launched six smart energy projects with a planned power supply area of 17.48 million square metres such as Nanjing Research and Innovation Park. At the same time, it actively explored the energy storage and peaking technology as part of its green sustainable development efforts. The Company's capital business endeavoured to expand the financing channels to carry out the property development projects' equity investments, mergers and acquisitions and the property holding projects' investments. Through capital introduction in early stages, it was able to manage resources of the core segments in the industry chain, which facilitated the steady development of the Company.

The Company continued to strengthen innovation as traction and focused on "green health and smart technology" to explore new model of living in the future, which facilitated the Company's continuous business upgrade.

Innovation-driven products and technologies upgrade. The Company continued to focus on new areas including smart technology, healthy living and intelligence and endeavoured to optimise and innovate the technology system by introducing Jinmao Palace 2.0 product upgrade and implementing the application of its R&D products "Magic Mirror" and "Temperature Control Device". It also completed the project establishment and R&D of cadmium telluride thin film and adsorption ion jet air purification. Up to the end of 2018, it has cumulatively obtained 149 approved patents (30 invention patents and 3 exclusive patents), which further enhanced the technological contents and competitiveness of its products. In the meanwhile, centring on the Company's established business, application results of new technologies were proven; key risk management was executed in many areas at "smart construction sites"; naked eye VR technology was demonstrated at "technology demo sites", thus driving the Company's operation and management upgrade.

Innovation management system continued to optimise. Through building the "Ji Chuang Yi (極創翼)" innovation information platform, it opened up the message flow from demand to innovation, technology and application. At the same time, it matched with the scientific research budget which supports the innovation of professional topics and provides funding support to innovation work. This has formed an advancement mechanism from information to innovation, innovation to products and product commercialisation, thus enabling the Company to gradually push ahead the innovation development strategy.

The Company endeavoured to consolidate the foundation of management to enhance quality and increase efficiency of its operations. Centring on its strategic direction and business requirements, the Company granted 42 mandates during the Year in adherence to the principle of "small headquarters and big business" to actively cope with the needs of business development and deeply push ahead the optimisation of the assessment system. At the same time, capitalising on the development opportunities arising from the "Year of IT Enhancement", the Company accelerated the platform development and core business data access by taking a demand-led approach. The Company built new information system platforms including operational management system and upgraded nine existing systems including finance, marketing and costing to improve the management systems and effectively stimulate the organisational functions, thus providing organisational support for the transformation and upgrade of the Company.

As a state-owned enterprise and a listed company, China Jinmao also attaches great importance to and takes a proactive approach in fulfilling its social responsibilities. The Company remains committed to its green strategy and specialises in the city operations projects as main carrier to strongly promote the clean energy system. It is estimated that the carbon emission reduction of the projects developed exceeds 100,000 tonnes each year. In 2018, China Jinmao was ranked first among the Top 10 Most Competitive Green Property Developers in China and was among the Top 10 Most Competitive Green Commercial Property Operators in China. Chang'an Jinmao Palace won CIHAF's Top 10 Green Projects of the Year. China Jinmao was the only enterprise being invited to attend the "China Corner Meeting" of the United Nations Climate Change Conference for 2018 to share its experience in greenhouse gas emission reduction. Its green influence continuously increased. The Company also worked with the government of Nanjing on the citizens' green commuting carbon neutral project to jointly promote energy saving and emission reduction and environmental protection with 3.4 million citizens in Nanjing. At the same time, the Company actively responded to the central government's advocation of "targeted poverty alleviation" and endeavoured to devote more efforts to public welfare and poverty alleviation work. It undertook the design for the featured town in Gangba County, Tibet, introduced Jinmao mobile library to the local agricultural and animal husbandry areas and set up three "new mobile training stations for new farmers and herdsmen" in Ar Horqin Banner of Inner Mongolia. The Company has cumulatively set up 18 mobile libraries, supported the construction of 43 schools, made donations to 22 schools and supported the construction of seven healthcare facilities, thus receiving positive social response.

Looking ahead, in the near term, the prevailing economic and trade system around the world is faced with severe challenges with increasing uncertainties. The pressure of economic downturn in China or even the world will be increasingly apparent. However, despite that economic globalisation is facing headwinds, the situation will not reverse. The trend of economic globalisation remains unchanged. With the rise of a new round of technological reforms and industrial reforms, China remains and, for a long time, will be in the period of key strategic development. The key tone of policies in the short term will stick to the positioning that "homes should be live in, not speculated" and move toward the objective of "stabilising land price, property price and future price", and remain subject to high pressure. The era where property developers reap supernormal profits relying on soaring housing prices is no longer present. The pressure faced by property developers who employ a traditional business model will increase drastically. In view of this, adhering to the principle of "In Science We Trust", China Jinmao will endeavour to strengthen its positioning as city operator and continue to push ahead the "two-wheel and two-wing driven" development strategy with focus on smart technology and green health to drive technological innovation and product upgrade and to enrich its business model that features city operations as the core toward the goal of becoming the first-tier team in terms of overall capabilities in the industry.

We focus on city operations while sticking to innovative development. China Jinmao's employees will, as always, bear in mind the determination to development and carry forward the spirit of venture and innovation in concerted efforts while forging ahead to maximise value for all of the shareholders with even more remarkable results. On behalf of the Board, I would like to express my sincere gratitude to the shareholders, customers, business partners of the Company and various sectors of the community.

NING Gaoning
Chairman

Hong Kong
19 March 2019

Honours and Awards

MAJOR INTEGRATED AWARDS

- In March, at the "2018 China Top 100 Real Estate Developers Research Conference cum the 15th China Top 100 Real Estate Developers Summit" jointly organised by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, China Jinmao was ranked the 24th among the "2018 China Top 100 Real Estate Developers", and honoured with the titles of "2018 China Top 100 Real Estate Developers by Profitability Top 10", "2018 China Top 100 Real Estate Developers by Robustness Top 10" and "2018 China Outstanding Commercial Real Estate Developers".

- In June, China Jinmao was ranked among the "15th China Blue Chip Real Estate Developers for 2018" at the 15th China Blue Chip Real Estate Developer Annual Conference organised by Economic Observer, an authoritative media.

- In July, China Jinmao won the "2018 City-Industry Operator Innovation Award (2018年度產城運營商創新獎)" at the "2018 National City-Industry Development White Paper" Conference cum Top 30 City-Industry Operators Conference and Award Presentation Ceremony (《2018年全國產城發展白皮書》發佈論壇暨產城運營商TOP30發佈會及頒獎典禮) organised by CRIC.

- In August, China Jinmao was awarded the "China Real Estate Enterprises with Awareness of Social Responsibility for the Year of 2018" at the 2018 Boao Real Estate Forum cum China Real Estate Fashion Awards presentation ceremony organised by Guandian Real Estate New Media.

- In August, China Jinmao was honoured with the "Social Responsibility Contribution Award of the Year (年度社會責任貢獻獎)" in the "2018 CSR Competitiveness – China Corporate Social Responsibility Assessment and Selection (2018年"CSR競爭力-中國企業社會責任"評選)" at the 2018 Summit on CSR in China organised by China Business Journal.

- In September, China Jinmao was awarded the "Leading City Operators (城市運營領軍企業)" at the 2018 China Real Estate Professional Summit cum Brand Value (2018中國房地產專業峰會暨品牌價值榜系列榜單) Announcement Ceremony jointly organised by the China Real Estate Chamber of Commerce, China Real Estate Business, creb.com.cn and Zhong Fang Think Tank – Research Institute of China Real Estate Business (中房智庫– 中國房地產報研究院).

- In November, China Jinmao was granted the "2018 Excellent Performance Award – Best Product Innovation Award (2018年度卓越表現獎•最佳產品創新獎)" at the 2018 Annual Conference on Chinese Enterprise Competitiveness jointly organised by China Business Journal and the National School of Development of Peking University.

- In December, China Jinmao earned the title of the "2018 Model Real Estate Enterprise of Brand Influence" at the 9th Summit of Real Estate and Finance Innovation of the 16th Financial Billboard organised by Hexun.com.

MAJOR CITY AND PROPERTY DEVELOPMENT AWARDS

- In August, China Jinmao's Qingdao China-Europe International City received the "China Architectural Temple of Heaven Award" from the China Real Estate Business, creb.com.cn and Zhong Fang Think Tank (中房智庫).

- In December, Beijing Jinmao Palace, Haihe Jinmao Palace and Shangdong Jinmao Palace earned the "2018 Quality Creativity Award (2018年度品質創造力大獎)" at the "Quality Life, Empowerment Era cum 2019 NetEase Real Estate Champion Awards (生活質造，賦能時代暨2019網易地產冠軍榜盛典)" ceremony organised by NetEase News and NetEase Property.

- In December, Longhua Jinmao Palace earned the "Futuristic Classic Residence Award (未來經典名宅大獎)" from Southern Metropolis Daily at the 10th China Real Estate Annual Meeting 2018 (2018年第十屆中國地產年會).

- In December, Daning Jinmao Palace was honoured with the "2018 China Real Estate School-Enterprise Collaborative Case Study Model (2018中國房地產校企協同案例研究示範基地)" at the first China Real Estate School-Enterprise Collaborative Innovation Development Summit (中國房地產校企協同創新發展峰會) jointly organised by the China Real Estate Association, China Association of Construction Education, crep.cn and E-House Corporate Group.

HOTELS

- In April, Lijiang Jinmao Hotel won the "Top 10 Resort Hotels of China" at the China Hotel Starlight Awards.

- In May, The Ritz-Carlton Sanya, Yalong Bay was honoured with the Hainan Conference Hotel of Grade AAAAA by the Hainan Provincial Department of Commerce.

- In June, Hilton Sanya Yalong Bay Resort & Spa was honoured with the Hainan Conference Hotel of Grade AAAAA by the Hainan Provincial Department of Commerce.

- In October, Grand Hyatt Shanghai was honoured with the title of the "Most Popular Landmark Business Hotel in East China 2018" at the 15th Golden Pillow Award of China Hotels.

OFFICES AND OTHER PROJECTS

- In January, JM Capital was named the "2017 Best Growing Real Estate Fund Company (2017年度最具成長性房地產基金公司)" at the "2018 Chinese Venture (7th) Annual Conference and Award Ceremony" organised by Chinese Venture magazine and China Bridge.

- In June, Jinmao Property won the titles of "2018 China Top 100 Leading Property Management Companies by Service Quality", "2018 China Leading Office Property Management Companies", "2018 China Leading Specialty Property Management Companies – HSE Management System" and "2018 China Top 100 Property Management Companies" from the China Index Academy.

- In December, Jinmao Green Building was awarded the medal of "2018 National Excellent Energy Storage Power Station Development Unit (2018年全國優秀儲能電站開發單位獎牌)" by the IAC training centre under the organising committee of the China Energy Storage Industry Investment Development Forum (中國儲能產業投資發展論壇組委會中國投資協會培訓中心).

- In December, Jinmao Commercial won the title of "Excellent Commercial Real Estate Enterprise of the Year (年度商業地產卓越企業)" of the "Golden Tripod Award (金鼎獎)" at the China Commercial Real Estate Annual Conference organised by winshang.com.

General Overview

City	Number of projects	Area yet to be delivered
Beijing	16	2,386,088
Qingdao	7	4,122,492
Jinan	3	921,335
Kunming	2	713,843
Changsha	11	15,819,548
Sanya	2	N/A
Kaifeng	1	194,279
Changzhou	1	299,447
Chongqing	7	2,061,413
Shanghai	12	1,285,900
Nantong	1	83,961
Chengdu	2	629,644
Foshan	3	1,322,552
Suzhou	11	2,139,560
Dongguan	2	254,897
Fuzhou	2	710,141
Guangzhou	5	1,425,990
Shenzhen	3	237,650
Huzhou	1	226,418
Jiaxing	3	696,722
Hangzhou	7	1,486,122
Tianjin	4	1,241,066
Taizhou	1	624,931
Nanchang	3	466,960
Hefei	3	669,627
Wuhan	5	2,238,092
Zhuzhou	1	646,025
Xiamen	1	97,800
Lijiang	4	172,298
Wuxi	5	1,380,667
Quanzhou	1	589,908
Wenzhou	5	2,602,107
Ningbo	13	5,772,692
Zhuhai	1	4,143
Shaoxing	1	246,635
Xi'an	2	362,412
Nanjing	16	7,050,408
Zhengzhou	1	155,256
Guiyang	1	278,218
Xuzhou	3	1,162,207

Note 1: The number of projects covers city and property development, commercial leasing and retail operations, hotel operations and energy stations

Note 2: The area yet to be delivered refers to the area yet to be delivered under city and property development, unit: m^2


Beijing
Tianjin
Jinan
Qingdao
Zhengzhou
Kaifeng
Xuzhou
Xi'an
Nanjing
Nantong
Hefei
Changzhou
Wuxi
Suzhou
Shanghai
Huzhou
Jiaxing
Chengdu
Wuhan
Hangzhou
Ningbo
Shaoxing
Chongqing
Nanchang
Taizhou
Changsha
Wenzhou
Zhuzhou
Lijiang
Guiyang
Fuzhou
Quanzhou
Kunming
Guangzhou
Xiamen
Dongguan
Foshan
Shenzhen
Zhuhai
Sanya

In 2018, various government departments across China thoroughly implemented the national plans and generally took a steady progress approach. Upholding the new development principle and insisting on promoting high quality development, they continued to focus their efforts on the supply-side structural reform to gather strength and overcome challenges. The major economic and social development targets were accomplished better than expected. The three critical missions had a good start with further progress in the supply-side structural reform and stronger efforts in the opening-up reform. China's economic growth maintained at a reasonable rate and continued to show steady momentum with progress and stability as a whole.

With respect to the property market, according to the statistics published by the National Bureau of Statistics, in 2018, sales of commodity properties in China amounted to around RMB15.0 trillion, representing an increase of 12.2% compared with that of last year; area sold was around 1,720 million square metres, representing an increase of 1.3% compared with that of last year. In 2018, the macroeconomic environment was increasingly complicated for implementing austerity measures in the real estate industry. While the financial policies took a "lenient" direction, the austerity measures in the real estate industry remained "tight". "Homes should be lived in, not speculated" was still stressed and differentiated austerity measures continued to be implemented. While stepping up the austerity efforts, it also attached great importance to market regulation. Targeting at the supply side, it pushed ahead the housing supply-side structural adjustment, increased the proportion of effective supply and enhanced the protection standard to cater for the demands of various levels, thus building a foundation for market demand and supply equilibrium in the medium- to long-term.

In 2018, the growth in housing price in prominent cities was controlled. During the Year, the sales growth in third-tier and fourth-tier cities, being a driver of growth in area sold across China last year, significantly declined. On the other hand, with the austerity measures taking effect in key cities, the volume of transactions became stabilised. From the perspective of real estate market layout, the industry concentration level continued to increase. It remains a distinct feature that dominant parties remain dominant, and the rate of growth in property developers' operating results differ significantly, with continuous increase in leading property developers' market share and continuous upgrading of the thresholds for sales volume of property developers in different tiers. At the same time, under the multiple sources of influence including government's control on price, downward pressure of the market and capital pressure, the profit margin of the industry continued to decrease, and the flagship property developers accordingly optimised investment strategy and slowed down their investment pace. As for hotel industry, the regional and structural phenomena of star-rated hotels remained. With the uprising of regions such as Xi'an and Chengdu, coupled with the increasing number of major conferences held in first-tier and second-tier cities, the occupancy rate of star-rated city business hotels gradually bottomed out from 2014. However, affected by the persisting economic uncertainties, the market demand for some traditional resort hotels exhibited considerably decrease, which had considerable adverse impacts on the overall performance of the hotel market. Premium Grade A office premises market maintained sound growth momentum, whereas vacancy rate of second-tier cities remained high. Given the ongoing release of demand from tech companies, rentals in Guangzhou grew fairly fast.

In 2018, while overcoming the unfavourable conditions of tightening policies, the operating results of the Company grew substantially compared with that of last year. Net profit attributable to owners of the parent set another historical high.

With respect to city and property development, sales performance of projects launched throughout the Year was satisfactory with total contracted sales amount of approximately RMB128.0 billion. In addition, as at the end of the Reporting Period, the Group's contracted sales of properties and land yet to be delivered and settled amounted to approximately RMB140.3 billion. In particular, Hangzhou Binjiang Jinmao Palace commenced sales on 19 June 2018, 29 October 2018 and 23 December 2018, respectively, where the units were sold out on three launch dates. It represented a landmark of hot commodities in Hangzhou and garnered widespread recognition. Again, it set the record that the units were launched three times and sold out each time. In October 2018, Quanzhou Tan Residence, which commenced sales for the first time, achieved hot sales for star project. The first batch of units commenced sales in seven months upon project acquisition, translating into a sell through rate of 70% upon sales commencement. It won the title of Quanzhou Outstanding Property Operator for 2018. Ningbo Yaojiang Jinmao Palace commenced sales on 19 January 2018, 20 April 2018, 28 June 2018 and 25 October 2018, respectively, where the units were sold out on four launch dates and secured a contracted sales amount of RMB3.2 billion, which continued to drive the regional high-end property purchase in Jiangbei, Ningbo. In April 2018, buildings nos. 19 and 21 in Phase II of Changsha Meixi Lake Jinmao Harbour Project commenced sales and 302 residential units were sold on the day of sales launch. In June, the first batch of finely refurbished units were launched and secured a sales amount of RMB850 million for the month, topping the sales chart of commodity properties for June across Changsha. On 26 June 2018, 23 August 2018 and 29 November 2018, Tianjin Haihe Jinmao Palace commenced sales where the units were sold out on three launch dates. The project was identified with "Healthy", "Hi-tech" and "High-quality" residence in Jinmen. In January 2018, Beijing Yizhuang Jinmao Palace earned the "Model Residence Award of the Year (年度人居典範獎)" at the Leju Beijing Innovation Summit organised by Sina Leju. In July 2018, Nanjing Hexi Jinmao Palace was granted LEED Gold certification by the U.S. Green Building Council ("USGBC"). In August 2018, Beijing Chaoyang Jinmao Green Innovation Centre was granted the US LEED 4-star platinum certification by USGBC. Qingdao China-Europe International City received the "China Architectural Temple of Heaven Award" from the China Real Estate Business, creb.com.cn and Zhong Fang Think Tank (中房智庫). In December 2018, Daning Jinmao Palace was honoured with the "2018 China Real Estate School-Enterprise Collaborative Case Study Model (2018中國房地產校企協同案例研究示範基地)" at the first China Real Estate School-Enterprise Collaborative Innovation Development Summit (中國房地產校企協同創新發展峰會) jointly organised by the China Real Estate Association, China Association of Construction Education, crep.cn and E-House Corporate Group.

As for hotel operations, affected by the persisting economic uncertainties, the market demand for some traditional resort hotels exhibited considerably decrease, where in 2018, the Group's hotels showed mixed performance in some regions in terms of average occupancy rate and average revenue per available room. The Group's hotels actively sought market opportunities and made use of flexible marketing strategies while optimising the customer mix and enhancing the quality of service in an attempt to overcome the decline in some regional markets. Among which, with respect to Meixi Lake Hotel, A Luxury Collection Hotel, Changsha, which was opened in 2017, the average revenue per available room further grew from 2017 after more than one year's operation, whereas other established hotels maintained a leading position among their competitors within the region. During the Period under Review, a number of hotels under the Company were awarded at the 12th China Hotel Starlight Awards which is the Chinese equivalent of the "Oscars in the Hotel Industry".

As for commercial leasing, the rental level and occupancy rate of Grade A office premises in high-end business districts, namely Beijing Financial Street, Beijing CBD, Shanghai Pudong Lujiazui and Nanjing Gulou District, remained high. Rental level of the Company's two office premises in Beijing and the office premises in Jin Mao Tower, Shanghai continued to rise and maintain steady and excellent results contribution.

As for retail operations, through strengthening tenant recruitment and used facilities renovation to cope with the needs of consumption upgrade of the city and multi-dimensional experience innovation of physical retail shops.

As for finance and services, in 2018, the Company continued to strengthen innovation as traction to expand business through finance innovation and to shape development features through service innovation so as to consolidate the competitive strengths of the "two-wing driven" businesses. In 2018, the Company focused on the smart energy technology R&D and breakthrough and completed the implementation of 10 smart energy projects. Through energy technology extension, the Company innovatively applied the technology in many scenarios including energy storage and peaking regulation and data centre. In 2018, JM Capital actively explored the business opportunities arising from the process of urban development and renewal relying on its "financing capabilities" as its core competitiveness, and endeavoured to push ahead the innovation of financial service for city operations in adherence to the strategy of "industry-led finance to boost the industry". The attractive investment returns generated won wide recognition from the investors and business partners.

In 2018, the Company had fruitful results in the land market and capital market, and performed remarkably. With respect to land acquisition, the Group acquired a number of quality land parcels in Beijing, Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Hefei, Wuhan, Wuxi, Wenzhou, Chongqing, Jinan, Kaifeng, Huzhou, Shaoxing, Taizhou, Xuzhou, Changzhou, Nantong, Quanzhou, Dongguan, Zhuzhou, Guiyang and Kunming to greatly replenish its land bank. With respect to capital funding, the Group took proactive innovative efforts to expand a variety of fundraising channels. The Company successfully completed the issue of RMB1,250 million RMB-denominated senior guaranteed notes in March 2018; successfully completed the issue of RMB3,000 million domestic unsecured medium-term notes and RMB2,000 million domestic unsecured perpetual medium-term notes in April and December 2018, respectively; successfully completed the issue of US$300 million senior guaranteed perpetual capital securities in December 2018. In terms of projects, it actively introduced partnering funds, which provided adequate funding protection for subsequent project development.

Looking forward, the pressure of economic downturn in China remain high and tightened industry policies will continue with ongoing market adjustment. The era where property developers reap supernormal profits relying on soaring housing prices is no longer present. The pressure faced by property developers who employ a traditional business model will increase drastically. In view of this, adhering to the principle of "In Science We Trust", the Group will endeavour to strengthen its positioning as city operator and continue to push ahead the "two-wheel and two-wing driven" development strategy with focus on smart technology and green health to drive technological innovation and product upgrade and to enrich its business model that features city operations as the core toward the goal of becoming the first-tier team in terms of overall capabilities in the industry.

Management Discussion and Analysis

Project Overview

1. COMMERCIAL LEASING AND RETAIL OPERATIONS PROJECTS

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion	Area held for commercial leasing and retail properties (square metres)
Beijing Chemsunny World Trade Centre	Xicheng District, Beijing, China	194,530	Office	100%	2006	110,760
Sinochem Tower	Xicheng District, Beijing, China	49,066	Office	100%	1995	49,066
Jin Mao Tower (including hotel)	Pudong New Area, Shanghai, China	292,475	Office	66.77%	1999	216,462
Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel)	Gulou District, Nanjing, Jiangsu Province, China	225,846	Complex	(Note 2)	2011	139,806
Changsha Meixi Lake International R&D Centre	Xiangjiang New District, Changsha, Hunan Province, China	132,856	Office	80%	2017	14,963
Lijiang J•Life	Old Town, Lijiang, Yunnan Province, China	21,893	Commercial	100%	2014	21,893
Commercial portion of Qingdao Jinmao Harbour	Shinan District, Qingdao, Shandong Province, China	61,142	Commercial	50%	2017	61,142
Jiayuan Plaza Hypermarket	High-Tech Industrial Development Zone, Ningbo, Zhejiang Province, China	25,480	Commercial	100%	2013	25,480
Changsha Jinmao Mall of Splendor	Yuelu District, Changsha, Hunan Province, China	141,723	Commercial	50%	2017	141,723
Total						**781,295**

2. HOTEL OPERATIONS PROJECTS

Name of project	Location	Hotel gross floor area (square metres)	Equity attributable to the Group	Date of completion	Number of guest rooms
Renaissance Beijing Wangfujing Hotel	Dongcheng District, Beijing, China	44,435	66.77%	1995	329
Grand Hyatt Shanghai (Note 1)	Pudong New Area, Shanghai, China	76,013	66.77%	1999	555
Hilton Sanya Yalong Bay Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, China	75,208	66.77%	2006	501
The Ritz-Carlton Sanya Yalong Bay	Yalong Bay Resort, Sanya, Hainan Province, China	83,772	66.77%	2008	455
The Westin Beijing Chaoyang	Chaoyang District, Beijing, China	77,945	66.77%	2008	550
JW Marriott Hotel Shenzhen	Futian District, Shenzhen, Guangdong Province, China	51,730	66.77%	2009	411
Westin Nanjing	Gulou District, Nanjing, Jiangsu Province, China	32,514	(Note 2)	2011	234
Hyatt Regency Chongming	Chongming County, Shanghai, China	48,992	66.77%	2014	235
Grand Hyatt Lijiang (Note 5)	Old Town, Lijiang, Yunnan Province, China	84,384	66.77%	2014	401
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha	Yuelu District, Changsha, Hunan Province, China	62,220	100%	2017	304
Total		**637,213**			**3,975**

3. MAJOR CITY AND PROPERTY DEVELOPMENT PROJECTS

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Beijing					
Beijing Yizhuang Jinmao Residence Project	Beijing Economic and Technological Development Area, Beijing, China	414,782	Residential	100%	2017
Beijing Yizhuang Jinmao Noble Manor Project	Beijing Economic and Technological Development Area, Beijing, China	558,922	Residential	51% and 100% (Note 4)	2019
Beijing Jinmao Palace Project	Fengtai District, Beijing, China	220,404	Residential	49%	2020
Beijing Fengtai Jinmao Plaza Project	Fengtai District, Beijing, China	177,662	Office/ Commercial	44.1%	2020
Beijing Fengtai Jinmao Plaza Project (Land Parcel B of Science Park Project)	Fengtai District, Beijing, China	78,653	Office/ Commercial	28.6%	2020
Beijing Fengtai Lize Business District Land Parcel No. D-07/08	Fengtai District, Beijing, China	207,804	Office	25%	2019
Beijing Serenity Palace Project	Fengtai District, Beijing, China	334,973	Residential	20%	2020
Beijing Chaoyang Jinmao Centre Project	Chaoyang District, Beijing, China	96,786	Office	100%	2019
Beijing Daxing Jinmao Residence Project	Daxing District, Beijing, China	161,451	Residential	100%	2021
Beijing Changping District Beiqijia Town Future Science City South District Land Parcels Nos. CP07-0600-0052, 0063, C-18	Changping District, Beijing, China	273,479	Residential	47%	2020

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Shanghai					
Shanghai Daning Jinmao Palace Project	Zhabei District, Shanghai, China	289,200	Residential	41.88%	2018
Shanghai Xincheng Hongkou Jinmao Palace Project	Hongkou District, Shanghai, China	86,889	Residential/ Commercial	49%	2019
Shanghai Xijiao Jinmao Palace Project	Jiading New City, Jiading District, Shanghai, China	211,224	Residential	29.73%	2019
Shanghai Hongkou District Tilanqiao Land Parcel No. HK322-01	Hongkou District, Shanghai, China	104,244	Office/ Commercial	30%	2020
Shanghai North Bund Land Parcel No. HK314-05	Hongkou District, Shanghai, China	210,740	Office/ Commercial	30%	2021
Shanghai Hongqiao • Jinmao Residence Project	Qingpu District, Shanghai, China	208,824	Residential	100%	2021
Guangzhou					
Guangzhou Nansha Jinmao Harbour Project	Nansha District, Guangzhou, Guangdong Province, China	778,652	Complex	90%	2019
Cinda & Jinmao – Tianhe Jinmao Plaza Project	Tianhe District, Guangzhou, Guangdong Province, China	329,040	Residential/ Commercial	40%	2020
Guangzhou Zhujiang Jinmao Palace Project	Liwan District, Guangzhou, Guangdong Province, China	314,321	Residential	50%	2019
Guangzhou Yuexiu & Jinmao – Nansha Jinmao Residence	Nansha District, Guangzhou, Guangdong Province, China	132,683	Residential	49%	2021
Guangzhou Conghua District Jiekou Street Xining Primary School Land Parcel	Conghua District, Guangzhou, Guangdong Province, China	430,853	Residential	25%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Shenzhen					
Shenzhen Longhua Jinmao Palace Project	Longhua New District, Shenzhen, Guangdong Province, China	188,840	Residential	55%	2019
Changsha					
Changsha Meixi Lake Jinmao Plaza Project	Xiangjiang New District, Changsha, Hunan Province, China	750,827	Complex	100%	2019
Changsha Meixi Lake Jinmao Harbour Project	Xiangjiang New District, Changsha, Hunan Province, China	498,605	Commercial/ Residential	50%	2019
Changsha Meixi Lake International New City Project Phase I	Xiangjiang New District, Changsha, Hunan Province, China	9,402,328	Primary	80%	2019
Changsha Meixi Lake International New City Project Phase II	Xiangjiang New District, Changsha, Hunan Province, China	12,680,000	Primary	70% (Note 3)	2020
Changsha Meixi Lake International New City Project Land Block A	Xiangjiang New District, Changsha, Hunan Province, China	828,966	Primary	80%	2019
Changsha • Jinmao Tower	Xiangjiang New District, Changsha, Hunan Province, China	191,264	Commercial	100%	2019

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Nanjing					
Nanjing Dongcheng Jinmao Residence Project	Jiangning District, Nanjing, Jiangsu Province, China	118,880	Residential	100%	2018
Nanjing Qinglong Mountain International Ecological New City Project	City Centre of Shangfang, Jiangning, Nanjing, Jiangsu Province, China	3,798,000	Primary	80%	2020
Nanjing Xuanwu Lake Jinmao Plaza Project Phase II	Gulou District, Nanjing, Jiangsu Province, China	227,300	Complex	(Note 2)	2019
Nanjing Hexi Jinmao Palace Project (Land Parcel No. 20-7)	Hexi New Town, Nanjing, Jiangsu Province, China	119,560	Residential	26%	2021
Nanjing Hexi Jinmao Palace Project (Land Parcel No. 20-8)	Hexi New Town, Nanjing, Jiangsu Province, China	125,153	Residential	26%	2020
Nanjing Southern Hexi Yuzui Land Parcel No. G97	Jianye District, Nanjing, Jiangsu Province, China	1,176,204	Complex	27.5%	2023
Nanjing Greenland Jinmao • International Finance Centre	Jiangbei New District, Nanjing, Jiangsu Province, China	1,223,790	Complex	40%	2023
Nanjing Jiangning Shangfang Land Parcel No. 34	Jiangning District, Nanjing, Jiangsu Province, China	119,100	Residential	30%	2020
Nanjing Jiangning Shangfang Land Parcel No. 39	Jiangning District, Nanjing, Jiangsu Province, China	310,272	Residential	70%	2021
Nanjing Tangshan Spa & Wellness Town	Jiangning District, Nanjing, Jiangsu Province, China	79,555	Hotel/ Residential	47%	2025
Nanjing Pinglan Palace	Gaochun District, Nanjing, Jiangsu Province, China	198,201	Residential	29%	2021
Nanjing Gucheng Lake • Jinmao Noble Manor	Gaochun District, Nanjing, Jiangsu Province, China	362,071	Residential/ Commercial	49%	2020
Nanjing Jiangning Shangfang Land Parcel No. 36	Jiangning District, Nanjing, Jiangsu Province, China	73,571	Residential/ Commercial	15.3%	2021
Nanjing Jiangning Shangfang Land Parcel No. 6	Jiangning District, Nanjing, Jiangsu Province, China	211,737	Residential/ Commercial	9%	2021
Nanjing Jiangning Shangfang Land Parcel No. 31	Jiangning District, Nanjing, Jiangsu Province, China	84,348	Residential	30%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Chongqing					
Chongqing Jinmao International Ecological New City Project	Yubei District, Chongqing, China	825,666	Commercial/ Residential	45.465%	2021
Chongqing Liangjiang New District Longxing Mediterranean Project	Yubei District, Chongqing, China	317,528	Residential/ Hotel	100%	2020
Chongqing Liangjiang New District Land Parcel 17099	Yubei District, Chongqing, China	259,021	Residential	50%	2020
Chongqing Yueqianshan Project	Yubei District, Chongqing, China	257,906	Residential	40%	2020
Chongqing Liangjiang New District Central Park Land Parcel	Yubei District, Chongqing, China	383,011	Residential	20%	2022
Ningbo					
Ningbo Jiangdong Jinmao Palace Project	Jiangdong District, Ningbo, Zhejiang Province, China	315,850	Residential	100%	2019
Ningbo Yaojiang Jinmao Palace Project	Yaojiang New City, Jiangbei District, Ningbo, Zhejiang Province, China	232,771	Residential	49%	2019
Ningbo Cicheng Jinmao Noble Manor Project	Jiangbei District, Ningbo, Zhejiang Province, China	225,555	Residential	36%	2020
Ningbo Haishu Jinmao Palace Project	Haishu District, Ningbo, Zhejiang Province, China	274,345	Residential/ Commercial	33%	2021
Ningbo Yueguanting Project	Yuyao, Ningbo, Zhejiang Province, China	98,385	Residential	30%	2021
Ningbo Haiwan Jinmao Residence Project	Beilun District, Ningbo, Zhejiang Province, China	301,240	Residential	49%	2021
Ningbo Ningnan Logistics Area Land Parcel No. 6	Fenghua District, Ningbo, Zhejiang Province, China	130,017	Residential	49%	2021
Ningbo Life Science City Project	Fenghua District, Ningbo, Zhejiang Province, China	4,280,000	Primary	80%	2024

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Qingdao					
Qingdao China-Europe International City Project – First batch of land parcels	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	480,626	Commercial/ Residential	100%	2018
Qingdao China-Europe International City Project – Second batch of land parcels	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	354,644	Commercial/ Residential	100%	2021
Qingdao China-Europe International City Project – Third batch of land parcels	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	2,451,704	Commercial/ Residential	68%	2023
Qingdao Jimo International Smart New City Project – First batch of land parcels	Jimo District, Qingdao, Shandong Province, China	335,377	Residential	60%	2021
Qingdao Laoshan District Liaoyang Road East Project	Laoshan District, Qingdao, Shandong Province, China	839,262	Residential	10%	2020
Hangzhou					
Hangzhou Binjiang Jinmao Palace Project	Binjiang District, Hangzhou, Zhejiang Province, China	248,371	Residential	50%	2020
Shoukai Hangzhou Jinmao Palace Project	Gongshu District, Hangzhou, Zhejiang Province, China	277,822	Residential	49%	2020
Hangzhou Gongshu Shangtang Land Parcel No. FG04-R21-02	Gongshu District, Hangzhou, Zhejiang Province, China	139,904	Residential	50%	2019
Hangzhou Dongcheng Jinmao Palace Project	Jianggan District, Hangzhou, Zhejiang Province, China	143,707	Residential	50%	2019
Hangzhou Fuyang District Fuchun Land Parcel No. 28	Fuyang District, Hangzhou, Zhejiang Province, China	271,108	Residential	50%	2021
Hangzhou Xiaoshan District Shushan South Land Parcels Nos. B-13-2, B-14, B-15	Xiaoshan District, Hangzhou, Zhejiang Province, China	313,612	Residential	21.4%	2020
Lijiang					
Lijiang Jinmao Whisper of Jade Dragon Project	Lijiang World Heritage Park, Lijiang, Yunnan Province, China	207,902	Residential	100%	2020
Lijiang Snow Mountain Jinmao Noble Manor Project	Ganhaizi, Jade Dragon Snow Mountain, Lijiang, Yunnan Province, China	18,887	Commercial/ Residential	100%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Hefei					
Hefei Beiyanhu Jinmao Harbour Project	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	311,358	Residential	29.4%	2019
Hefei Binhu Jinmao Residence Project	Binhu District, Hefei, Anhui Province, China	240,167	Residential	34%	2019
Hefei High-Tech Industrial Development Zone Land Parcels Nos. KI2-3, 4	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	118,102	Residential	100%	2021
Xuzhou					
Xuzhou Chuhe Jinmao Palace Project	Tongshan District, Xuzhou, Jiangsu Province, China	75,210	Residential	100%	2020
Xuzhou Yunlong District Land Parcel No. 2018-31	Yunlong District, Xuzhou, Jiangsu Province, China	525,243	Residential/ Commercial	40%	2022
Xuzhou Gulou District Third Ring Road West Land Parcel AB	Gulou District, Xuzhou, Jiangsu Province, China	561,754	Residential/ Commercial	25%	2021
Kunming					
Kunming Wujiaba • Jinmao Plaza	Guandu District, Kunming, Yunnan Province, China	117,883	Residential	30%	2021
Kunming Chenggong District Land Parcels Nos. KCC2017-9-A1-A13	Chenggong District, Kunming, Yunnan Province, China	595,960	Residential	33%	2023
Dongguan					
Dongguan Qingxi Jinmao Noble Manor Project	Qingxi Town, Dongguan, Guangdong Province, China	54,793	Residential	100%	2020
Dongguan Zhongtang Town Land Parcel No. 2018WG020	Zhongtang Town, Dongguan, Guangdong Province, China	200,104	Residential	40%	2020
Quanzhou					
Quanzhou Tan Residence Project	Taiwanese Investment Zone, Quanzhou, Fujian Province, China	589,908	Residential/ Commercial/ Office	50%	2021
Changzhou					
Changzhou Longcheng Jinmao Palace Project	Zhonglou District, Changzhou, Jiangsu Province, China	299,447	Residential/ Commercial	100%	2021
Nantong					
Nantong Chongchuan • Jinmao Palace Project	Chongchuan District, Nantong, Jiangsu Province, China	83,961	Residential	50%	2020

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Zhuzhou					
Zhuzhou • Jinmao Residence Project	Shifeng District, Zhuzhou, Hunan Province, China	646,025	Residential	100%	2022
Kaifeng					
Kaifeng Bianxi New Area Land Parcel No. 39	Bianxi New Area, Kaifeng, Henan Province, China	194,279	Residential	49%	2021
Huzhou					
Huzhou Renhuang Jinmao Residence Project	Wuxing District, Huzhou, Zhejiang Province, China	226,418	Residential	50%	2020
Shaoxing					
Shaoxing Jinghu Jinmao Noble Manor Project	Yuecheng District, Shaoxing, Zhejiang Province, China	246,635	Residential	49%	2020
Taizhou					
Land parcel at the sides of Baiyunshan Road South and south of Hongzhao Road, Hongjia Avenue, Jiaojiang District, Taizhou	Jiaojiang District, Taizhou, Zhejiang Province, China	624,931	Residential/ Commercial	33%	2021
Guiyang					
Guiyang Baiyun District Ma'anshan Land Parcel G(18)050	Baiyun District, Guiyang, Guizhou Province, China	278,218	Residential	49.9%	2021
Suzhou					
Suzhou Hushuguan Project	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	268,265	Residential	49%	2019
Suzhou Science and Technology City • Jinmao Palace Project	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	501,772	Complex	26.5%	2020
Suzhou Gusu • Jinmao Residence Project	Wuzhong District, Suzhou, Jiangsu Province, China	103,465	Residential	100%	2021
Suzhou High-Tech Industrial Development Zone Land Parcel No. 2017-WG-84	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	118,889	Residential	17.5%	2020
Suzhou Zhangjiagang Land Parcel No.2012-A19-A	Zhangjiagang, Suzhou, Jiangsu Province, China	174,661	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2012-A19-B	Zhangjiagang, Suzhou, Jiangsu Province, China	187,085	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2012-A09	Zhangjiagang, Suzhou, Jiangsu Province, China	141,754	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2014-A02-A	Zhangjiagang, Suzhou, Jiangsu Province, China	138,851	Residential	100%	2022
Suzhou Zhangjiagang Land Parcel No.2014-A02-B	Zhangjiagang, Suzhou, Jiangsu Province, China	230,863	Residential	100%	2022
Suzhou Zhangjiagang Land Parcel No.2014-A04	Zhangjiagang, Suzhou, Jiangsu Province, China	165,000	Commercial	100%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Wuxi					
Wuxi Lihu Jinmao Palace Project	Binhu District, Wuxi, Jiangsu Province, China	440,071	Residential	49%	2020
Land parcel in Meicun, Xinwu District, Wuxi	Xinwu District, Wuxi, Jiangsu Province, China	154,989	Residential	12.25%	2020
Wuxi Xibei District Land Parcel No. XDG-2014-31	Xishan District, Wuxi, Jiangsu Province, China	264,825	Residential	49%	2019
Wuxi Taihu • Jinmao Noble Manor Project	Binhu District, Wuxi, Jiangsu Province, China	141,977	Residential/ Commercial	51%	2022
Wuxi Jiangyin Chengdi Land Parcels Nos. 2018-C-38, 39, 40	Jiangyin, Wuxi, Jiangsu Province, China	378,805	Residential/ Commercial	49%	2022
Foshan					
Foshan Jinmao Green Island Lake Project	Chancheng District, Foshan, Guangdong Province, China	638,074	Residential	65%	2021
Foshan Zumiao • Jinmao Residence Project	Chancheng District, Foshan, Guangdong Province, China	319,569	Residential	100%	2020
Foshan Shunde Lecong Land Parcel	Shunde District, Foshan, Guangdong Province, China	368,176	Residential/ Commercial	33%	2022
Tianjin					
Tianjin Haihe Jinmao Palace Project	Hedong District, Tianjin, China	407,313	Complex	100%	2020
Tianjin Shangdong • Jinmao Palace Project	Dongli District, Tianjin, China	263,107	Residential	100%	2019
Tianjin Beichen District Liuyuan Land Parcel No.188	Beichen District, Tianjin, China	237,719	Residential	16.5%	2021
Tianjin Beichen District Liuyuan Land Parcel No.189	Beichen District, Tianjin, China	332,927	Residential	25.9%	2022
Jinan					
Jinan Gongyuan Xuefu Project	Licheng District, Jinnan, Shandong Province, China	269,495	Residential	15%	2020
Jinan Jinmao Lujin Snow Mountain • Jinmao Noble Manor Project	Licheng District, Jinnan, Shandong Province, China	169,520	Residential	50%	2021
Jinan High-Tech Industrial Development Zone Jinmao Noble Manor Project	High-Tech Industrial Development Zone, Jinan, Shandong Province, China	482,320	Residential	33%	2020
Fuzhou					
Fuzhou Gulou Jinmao Palace Project	Gulou District, Fuzhou, Fujian Province, China	342,735	Residential	40%	2019
Fuzhou Aoti • Jinmao Residence Project	Cangshan District, Fuzhou, Fujian Province, China	367,406	Residential	10%	2020

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Wenzhou					
Wenzhou Oujiang International New City Project	Bandao Qibu District, Wenzhou, Zhejiang Province, China	914,502	Complex	33% and 36% (Note 6)	2021
Wenzhou Longwan Yaoxibei Project	Longwan District, Wenzhou, Zhejiang Province, China	596,242	Residential/ Commercial	16.5%	2022
Wenzhou Rui'an Wansong Dongjindai Land Parcel No. 04-02	Rui'an, Wenzhou, Zhejiang Province, China	175,078	Residential/ Commercial	20.1%	2020
Wenzhou Lucheng Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	520,257	Residential/ Office	33%	2022
Wenzhou Rui'an South Binjiang Phase II Land Parcels Nos. 02-41, 03-05, 03-06, 03-10 and 03-11	Rui'an, Wenzhou, Zhejiang Province, China	396,028	Residential/ Commercial	100%	2022
Wuhan					
Wuhan Donghu Jinmao Palace Project	Hongshan District, Wuhan, Hubei Province, China	747,200	Residential/ Commercial	33%	2020
Wuhan Xinzhou District Yangluo Street Wanshan Village Land Parcel No. P(2018)001	Xinzhou District, Wuhan, Hubei Province, China	494,641	Residential/ Commercial	100%	2022
Wuhan Xinzhou District Yangluo Street Wanshan Village Land Parcel No. P(2018)004	Xinzhou District, Wuhan, Hubei Province, China	526,387	Residential/ Hotel	50%	2020
Wuhan Yangluo • Jinmao Residence Project	Xinzhou District, Wuhan, Hubei Province, China	215,945	Residential	30%	2022
Wuhan Jianfa • Jinmao-Royal Residence Project	Jiangxia District, Wuhan, Hubei Province, China	253,919	Residential	49%	2022
Zhengzhou					
Zhengzhou Beilonghu Jinmao Palace Project	Zhengdong New District, Zhengzhou, Henan Province, China	155,256	Residential	51%	2019
Chengdu					
Chengdu Wuhou New City Project	Wuhou District, Chengdu, Sichuan Province, China	382,611	Residential	49%	2020
Chengdu Tianfu • Jinmao Residence Project	Jintang County, Chengdu, Sichuan Province, China	247,033	Residential	50%	2020
Nanchang					
Nanchang Jiulonghu • Jinmao Residence Project	Honggutan New District, Nanchang, Jiangxi Province, China	154,888	Residential/ Commercial	30%	2022
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	172,739	Residential/ Commercial	18%	2021
Nanchang Xinjian District Wangcheng Town Land Parcel No. DAK2018014	Xinjian District, Nanchang, Jiangxi Province, China	139,333	Residential	10.5%	2020

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Xiamen					
Xiamen Xiang'an • Jinmao Residence Project	Xiang'an District, Xiamen, Fujian Province, China	97,800	Residential	100%	2020
Jiaxing					
Jiaxing Lujin Jinmao • Jiahe Jinmao Palace Project	Nanhu District, Jiaxing, Zhejiang Province, China	346,211	Residential	55%	2020
Jiaxing Jingkai Land Parcel No. 2017-35	Nanhu District, Jiaxing, Zhejiang Province, China	161,962	Residential	49%	2020
Jiaxing Zhengrong Jinmao • Xiuhu Jinmao Palace Project	Xiuzhou District, Jiaxing, Zhejiang Province, China	188,549	Residential	17%	2020
Xi'an					
Xi'an Chang'an • Jinmao Palace Project	Chang'an District, Xi'an, Shaanxi Province, China	196,571	Residential	100%	2021
Xi'an Chanba Ecological Zone Wetland Park Project	Weiyang District, Xi'an, Shaanxi Province, China	165,841	Residential	30%	2020

PROJECTS ACQUIRED SINCE 2018

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Beijing Daxing Jinmao Residence Project	Daxing District, Beijing, China	161,451	Residential	100%	2021
Beijing Changping District Beiqijia Town Future Science City South District Land Parcels Nos. CP07-0600-0052, 0063, C-18	Changping District, Beijing, China	273,479	Residential	47%	2020
Shanghai Hongqiao Jinmao Residence Project	Qingpu District, Shanghai, China	208,824	Residential	100%	2021
Guangzhou Yuexiu & Jinmao – Nansha Jinmao Residence Project	Nansha District, Guangzhou, Guangdong Province, China	132,683	Residential	49%	2021
Guangzhou Conghua District Jiekou Street Xining Primary School Land Parcel	Conghua District, Guangzhou, Guangdong Province, China	430,853	Residential	25%	2021
Nanjing Pinglan Palace	Gaochun District, Nanjing, Jiangsu Province, China	198,201	Residential	29%	2021
Nanjing Gucheng Lake • Jinmao Noble Manor	Gaochun District, Nanjing, Jiangsu Province, China	362,071	Residential/ Commercial	49%	2020
Nanjing Jiangning Shangfang Land Parcel No. 36	Jiangning District, Nanjing, Jiangsu Province, China	73,571	Residential/ Commercial	15.3%	2021
Nanjing Jiangning Shangfang Land Parcel No. 6	Jiangning District, Nanjing, Jiangsu Province, China	211,737	Residential/ Commercial	9%	2021
Nanjing Jiangning Shangfang Land Parcel No. 31	Jiangning District, Nanjing, Jiangsu Province, China	84,348	Residential	30%	2021
Chongqing Liangjiang New District Central Park	Yubei District, Chongqing, China	383,011	Residential	20%	2022
Ningbo Haishu Jinmao Palace Project	Haishu District, Ningbo, Zhejiang Province, China	274,345	Residential/ Commercial	33%	2021
Ningbo Yueguanting Project	Yuyao, Ningbo, Zhejiang Province, China	98,385	Residential	30%	2021
Ningbo Haiwan Jinmao Residence Project	Beilun District, Ningbo, Zhejiang Province, China	301,240	Residential	49%	2021
Ningbo Ningnan Logistics Area Land Parcel No. 6 (Note 7)	Fenghua District, Ningbo, Zhejiang Province, China	130,017	Residential	49%	2021
Ningbo Life Science City Project	Fenghua District, Ningbo, Zhejiang Province, China	4,280,000	Primary	80%	2024
Qingdao Laoshan District Liaoyang Road East Project	Laoshan District, Qingdao, Shandong Province, China	839,262	Residential	10%	2020
Qingdao Jimo International Smart New City Project – First batch of land parcels	Jimo District, Qingdao, Shandong Province, China	335,377	Residential	60%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Hangzhou Fuyang District Fuchun Land Parcel No. 28	Fuyang District, Hangzhou, Zhejiang Province, China	271,108	Residential	50%	2021
Hangzhou Xiaoshan District Shushan South Land Parcels Nos. B-13-2, B-14, B-15	Xiaoshan District, Hangzhou, Zhejiang Province, China	313,612	Residential	21.4%	2020
Hefei High-Tech Industrial Development Zone Land Parcels Nos. KI2-3, 4	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	118,102	Residential	100%	2021
Xuzhou Chuhe Jinmao Palace Project	Tongshan District, Xuzhou, Jiangsu Province, China	75,210	Residential	100%	2020
Xuzhou Yunlong District Land Parcel No. 2018-31	Yunlong District, Xuzhou, Jiangsu Province, China	525,243	Residential/ Commercial	40%	2022
Xuzhou Gulou District Third Ring Road West Land Parcel AB	Gulou District, Xuzhou, Jiangsu Province, China	561,754	Residential/ Commercial	25%	2021
Kunming Wujiaba • Jinmao Plaza	Guandu District, Kunming, Yunnan Province, China	117,883	Residential	30%	2021
Kunming Chenggong District Land Parcels Nos. KCC2017-9-A1-A13	Chenggong District, Kunming, Yunnan Province, China	595,960	Residential	33%	2023
Dongguan Qingxi Jinmao Noble Manor Project	Qingxi Town, Dongguan, Guangdong Province, China	54,793	Residential	100%	2020
Dongguan Zhongtang Town Land Parcel No. 2018WG020	Zhongtang Town, Dongguan, Guangdong Province, China	200,104	Residential	40%	2020
Quanzhou Tan Residence Project	Taiwanese Investment Zone, Quanzhou, Fujian Province, China	589,908	Residential/ Commercial/ Office	50%	2021
Changzhou Longcheng Jinmao Palace Project	Zhonglou District, Changzhou, Jiangsu Province, China	299,447	Residential/ Commercial	100%	2021
Nantong Chongchuan • Jinmao Palace Project	Chongchuan District, Nantong, Jiangsu Province, China	83,961	Residential	50%	2020
Zhuzhou • Jinmao Residence Project	Shifeng District, Zhuzhou, Hunan Province, China	646,025	Residential	100%	2022
Kaifeng Bianxi New Area Land Parcel No. 39	Bianxi New Area, Kaifeng, Henan Province, China	194,279	Residential	49%	2021
Huzhou Renhuang Jinmao Residence Project	Wuxing District, Huzhou, Zhejiang Province, China	226,418	Residential	50%	2020
Shaoxing Jinghu Jinmao Noble Manor Project	Yuecheng District, Shaoxing, Zhejiang Province, China	246,635	Residential	49%	2020
Land parcel at the sides of Baiyunshan Road South and south of Hongzhao Road, Hongjia Avenue, Jiaojiang District, Taizhou	Jiaojiang District, Taizhou, Zhejiang Province, China	624,931	Residential/ Commercial	33%	2021
Guiyang Baiyun District Ma'anshan Land Parcel G(18)050	Baiyun District, Guiyang, Guizhou Province, China	278,218	Residential	49.9%	2021

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Suzhou Gusu • Jinmao Residence Project	Wuzhong District, Suzhou, Jiangsu Province, China	103,465	Residential	100%	2021
Suzhou High-Tech Industrial Development Zone Land Parcel No. 2017-WG-84	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	118,889	Residential	17.5%	2020
Suzhou Zhangjiagang Land Parcel No.2012-A19-A	Zhangjiagang, Suzhou, Jiangsu Province, China	174,661	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2012-A19-B	Zhangjiagang, Suzhou, Jiangsu Province, China	187,085	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2012-A09	Zhangjiagang, Suzhou, Jiangsu Province, China	141,754	Residential	100%	2021
Suzhou Zhangjiagang Land Parcel No.2014-A02-A	Zhangjiagang, Suzhou, Jiangsu Province, China	138,851	Residential	100%	2022
Suzhou Zhangjiagang Land Parcel No.2014-A02-B	Zhangjiagang, Suzhou, Jiangsu Province, China	230,863	Residential	100%	2022
Suzhou Zhangjiagang Land Parcel No.2014-A04	Zhangjiagang, Suzhou, Jiangsu Province, China	165,000	Commercial	100%	2021
Wuxi Taihu • Jinmao Noble Manor Project	Binhu District, Wuxi, Jiangsu Province, China	141,977	Residential/ Commercial	51%	2022
Wuxi Jiangyin Chengdi Land Parcel No. 2018-C-38, 39, 40	Jiangyin, Wuxi, Jiangsu Province, China	378,805	Residential/ Commercial	49%	2022
Tianjin Beichen District Liuyuan Land Parcel No. 188	Beichen District, Tianjin, China	237,719	Residential	16.5%	2021
Tianjin Beichen District Liuyuan Land Parcel No. 189	Beichen District, Tianjin, China	332,927	Residential	25.9%	2022
Jinan Gongyuan Xuefu Project	Licheng District, Jinnan, Shandong Province, China	269,495	Residential	15%	2020
Jinan Jinmao Lujin Snow Mountain • Jinmao Noble Manor Project	Licheng District, Jinnan, Shandong Province, China	169,520	Residential	50%	2021
Jinan High-Tech Industrial Development Zone Jinmao Noble Manor Project	High-Tech Industrial Development Zone, Jinan, Shandong Province, China	482,320	Residential	33%	2020
Wenzhou Rui'an Wansong Dongjindai Land Parcel No. 04-02	Rui'an District, Wenzhou, Zhejiang Province, China	175,078	Residential/ Commercial	20.1%	2020
Wenzhou Lucheng Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	520,257	Residential/ Office/ Commercial	33%	2022
Wenzhou Rui'an South Binjiang Phase II Land Parcels Nos. 02-41, 03-05, 03-06, 03-10 and 03-11	Rui'an, Wenzhou, Zhejiang Province, China	396,028	Residential/ Commercial	100%	2022
Wuhan Xinzhou District Yangluo Street Wanshan Village Land Parcel No. P(2018)001	Xinzhou District, Wuhan, Hubei Province, China	494,641	Residential/ Commercial	100%	2022

Name of project	Location	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion
Wuhan Xinzhou District Yangluo Street Wanshan Village Land Parcel No. P(2018)004	Xinzhou District, Wuhan, Hubei Province, China	526,387	Residential/ Hotel	50%	2020
Wuhan Yangluo • Jinmao Residence Project	Xinzhou District, Wuhan, Hubei Province, China	215,945	Residential	30%	2022
Wuhan Jianfa • Jinmao – Royal Residence Project	Jiangxia District, Wuhan, Hubei Province, China	253,919	Residential	49%	2022
Chengdu Tianfu • Jinmao Residence Project	Jintang County, Chengdu, Sichuan Province, China	247,033	Residential	50%	2020
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	172,739	Residential/ Commercial	18%	2021
Land Parcel No. DAK2018014 at the south of Changfu Avenue and east of Xianliang Road, Wangcheng Town, Xinjian District, Nanchang	Xinjian District, Nanchang, Jiangxi Province, China	139,333	Residential	10.5%	2020
Jiaxing Lujin Jinmao • Jiahe Jinmao Palace Project	Nanhu District, Jiaxing, Zhejiang Province, China	346,211	Residential	55%	2020
Jiaxing Jingkai Land Parcel No. 2017-35	Nanhu District, Jiaxing, Zhejiang Province, China	161,962	Residential	49%	2020
Jiaxing Zhengrong Jinmao • Xiuhu Jinmao Palace Project	Xiuzhou District, Jiaxing, Zhejiang Province, China	188,549	Residential	17%	2020
Xi'an Chang'an • Jinmao Palace Project	Chang'an District, Xi'an, Shaanxi Province, China	196,571	Residential	100%	2021
Xi'an Chanba Ecological Zone Wetland Park Project	Weiyang District, Xi'an, Shaanxi Province, China	165,841	Residential	30%	2020
Foshan Shunde Lecong Land Parcel	Shunde District, Foshan, Guangdong Province, China	368,176	Residential/ Commercial	33%	2022

* Estimated gross floor area

(Note 1) Grand Hyatt Shanghai is situated in Jin Mao Tower.

(Note 2) Westin Nanjing is situated in Nanjing Xuanwu Lake Jinmao Plaza. The Group holds 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II. The Company completed the acquisition of the remaining 49% interest in Leading Holdings Limited on 15 March 2019. The Group holds 100% interest in Leading Holdings Limited since then.

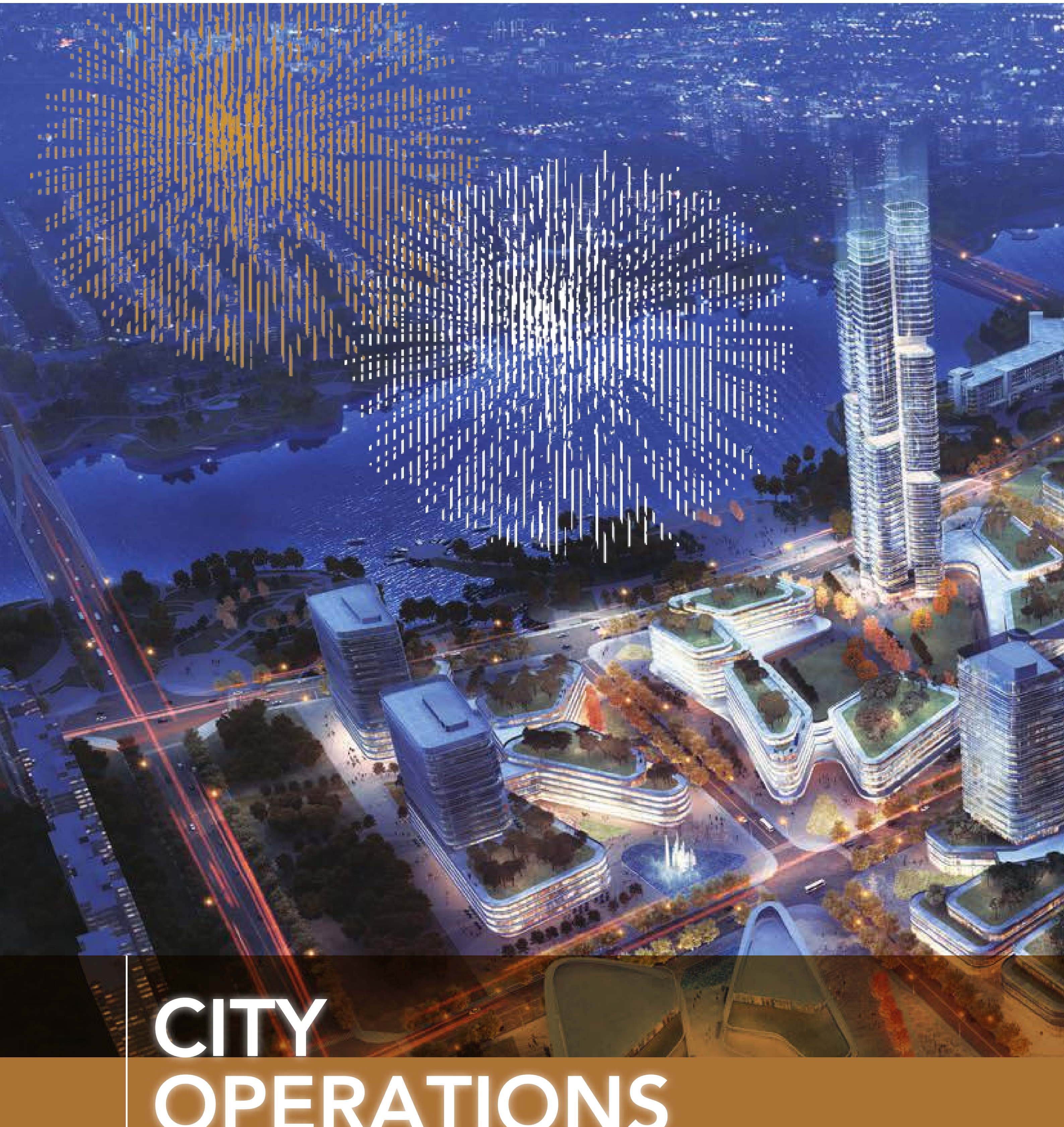
(Note 3) The Company received an official letter from the Management Committee of Dahexi Pilot Zone in Changsha, confirming that the Company has been selected as the second investor of Changsha Meixi Lake Primary Development Phase II. According to the Confirmation Letter, the total investment required for the Company, as the second investor, to complete all its related works under the Project, is estimated to be 70% of the estimated investment of the Project. At the same time, the Company will be entitled to a full refund of its development costs, as well as a gain representing 70% of the appreciation of land within the area of the Project which is available for distribution to the investors.

(Note 4) Beijing Yizhuang Jinmao Noble Manor is developed on the land parcels X87 and X91 in Beijing. Currently, the Group holds 51% interest in land parcel X87 (GFA: 259,234 square metres) and 100% interest in land parcel X91 (GFA: 299,688 square metres).

(Note 5) Grand Hyatt Lijiang is held as to 66.77% interest by the Group. Grand Hyatt Lijiang in the urban area is situated in Lijiang Jinmao Richmond Town Project; whereas the Mountain Lodge in the scenic area is situated in Ganhaizi, Jade Dragon Snow Mountain.

(Note 6) Wenzhou Oujiang International New City Project is developed on the land parcels C-03a, C-03e, C-05a, C-11f and C-11h in Oujiangkou, Wenzhou. Currently, the Group holds 33% interest in land parcels C-03a, C-03e, C-11f and C-11h and 36% interest in land parcel C-05a.

(Note 7) Ningbo Ningnan Logistics Area Land Parcel No. 6 is located in Ningbo Life Science City Project.



CITY OPERATIONS

◎ SUZHOU ZHANGJIAGANG SMART SCIENCE CITY

CITY OPERATIONS

CHANGSHA

MEIXI LAKE INTERNATIONAL NEW CITY

Changsha Meixi Lake International New City is located at the core region in Xiangjiang New District, Changsha, Hunan Province. Phase I of the project has Second Ring Road to the east, Third Ring Road to the west, Dragon King Harbour River to the north and Taohua Ridge of Yuelu Mountain Range to the south and surrounded by the 3,000-mu of Meixi Lake featuring the elements of mountains, lake, islets and city. Phase I of the project has a site area of approximately 11,452 mu and a total gross floor area of approximately 9.40 million square metres. Phase II of the project, which is situated in the west of Phase I, has a total site area of 16,545 mu and a total gross floor area of approximately 12.68 million square metres, with Third Ring Road to the east, Yuelu Mountain Xiangbiwo Forest Park and Taohua Ridge Forest Park to the south, Tianlei Road to the north and Yuanjiachong Road North and Yuanjiachong Road South to the west. The project comprises a variety of premium segments including high-end residences, a super five-star hotel, Grade 5A office buildings, serviced apartments, a cultural and arts centre and a technology and innovation centre, and is a green and ecological region suitable for residence, business and leisure.

During the Period under Review, the land use right of Meixi Lake land parcels nos. B-51, J-16-1 and B-36-1 in Yuelu District under Phase I of the project were granted by listing-for-sale, and other works of the project progressed well.

NANJING

QINGLONG MOUNTAIN INTERNATIONAL ECOLOGICAL NEW CITY

Qinglong Mountain International Ecological New City is located in the downtown area of Dongshan Vice City in Nanjing adjacent to the Qinglong – Dalian Mountain Range with a total site area of approximately 3.92 square kilometres and a total gross floor area of approximately 3.8 million square metres. The district performs a number of functions covering a CBD, quality residences, ancillary public infrastructure and scenic district. Its business segments include quality residence, a metropolitan commercial centre, a five-star hotel, office buildings and apartments. The project will be developed into China's model green new city project comprising ecology, technology and culture.

During the Period under Review, the land use right of the project's land parcels nos. 6, 31 and 36 in Shangfang, Jiangning District were granted by listing-for-sale, and other works of the project progressed well.

CHINA-EUROPE INTERNATIONAL CITY

Qingdao China-Europe International City is situated at Qingdao High-Tech Zone occupying a site area of 2,500 mu and a gross floor area of 4 million square metres. The project marks another China Jinmao's milestone of city development in Qingdao. Facing an ecological wetland park of 5,000 mu, the project introduces the Eden conned the "Eighth Wonder of the World" and aims to be developed into a world-class tourism resort and leisure destination. The project integrates the elements of the city, sectors and eco-environment and comprises a variety of segments from garden villas, aqua front community, elite apartments, office headquarters to city plaza, which will be developed into a diversified whole-resource internationalised community featuring ecology and intelligence. Capitalising on the natural landscapes including the sea, river, woods, lake and wetlands in the region, the project blends into the lifestyles of China and Europe to create a green gold strategic internationalised community. This is expected to drive the development of the third-generation harbour project in the world-class city and come under the spotlight of China and Europe, thus shaping Qingdao into the first choice of conference.

During the Period under Review, some of the land parcels of the project commenced sales and remained a hot commodity and other works of the project progressed well.

WENZHOU

OUJIANG INTERNATIONAL NEW CITY

As the key benchmark project debuted under Wenzhou's east expansion strategy, **Wenzhou Oujiang International City** is situated at the prime location in Wenzhou Oujiangkou Industrial Cluster with Zhuangyuanao Deepwater Port to the east, Wenzhou Longwan International Airport to the south and Wenzhou Economic and Technological Development Zone to the west. Under relevant framework agreement, the project will cover an area of 3.36 square kilometres. Currently, the Company has acquired land area of 420,000 square metres, with a gross floor area of more than 900,000 square metres. The project is by far the rarest super large-scale city development in Wenzhou. Adjacent to Ouyang station of S1 Urban Railway, the project is in the vicinity of heavy-weighted established amenities such as Wenzhou Foreign Language School and Oujiangkou New District Hospital. Upholding the principle of "exquisite craftsmanship", the project will be shaped into a "premium-value city" in Wenzhou in the new golden decade of cities and is set to become a first-class established community model of ecological city suitable for residence in Oujiangkou.

During the Period under Review, all project nodes progressed well on schedule.

QINGDAO

JIMO INTERNATIONAL SMART NEW CITY

Qingdao Jimo International Smart New City is another masterpiece of China Jinmao in Qingdao. Situated at the junction of Chengyang and Jimo, the project has a site area of approximately 430,000 square metres and a gross floor area of approximately 1,200,000 square metres. The ratio of commercial portion to residential portion is 3:7 with a plot ratio of 2.8. There are city function amenities including kindergartens, schools, star-rated hotels and business clusters.

The project aims to be the "benchmark of city operations in North Qingdao". A gateway transformation and upgrade will be carried out in Jimo to shape a new regional image by capitalising on Jinmao brand value and city operations capabilities. Coupled with government planning and support, the project represents home buyers' recognition of the regional value and prospect of future life. Based on the overall planning, Jimo International Smart New City will be developed into a new type of commercial complex covering an area of one million square metres, comprising six major functions namely commercial retail, commercial office, hotel catering, residential apartment, cultural and entertainment as well as recreation and leisure with city operations as the core. Making use of the "smart system" to build a smart community, the project facilitates a comprehensive upgrade of customers' life which better cater to the needs of first-time buyers and home buyers looking for improvement. During the Period under Review, all project nodes progressed well on schedule.

On 15 January 2019, the Group successfully won the bid for the first batch of land parcels nos. "JY18-75" and "JY18-76" for the project, marking the official launch of Jimo International Smart New City. Currently, various works of the project progress well.

WENZHOU

RUI'AN ECO SCIENCE CITY

Wenzhou Rui'an Eco Science City is located in Jiangnan New Area, South Shore of Feiyun River, Rui'an, opposite to the old town area. It is a key development region of Rui'an's riverfront development. The project has a total site area of 8.9 square kilometres and a planned gross floor area of 9.042 million square metres. Among which, the residential portion will account for 6.84 million square metres and the commercial office and public service portion will account for 2.202 million square metres, translating into a commercial to residential ratio of 24.5:75.5. The project has a term of 10 years comprising short term, medium term and long term. With the principle of "Wenzhou-Rui'an integration while adopting a service-oriented, innovation-driven and diversified approach" it sticks to the mainstream of eco leisure industry, as complemented by the integrated services industry, city amenities industry and innovation and technology industry, to build an eco science city project with a pleasant eco environment, well-equipped industry functions and comprehensive ancillary facilities. The project, covering a number of business segments including high-end residence, commercial portion, a five-star hotel and the headquarters office, aims to be developed into an ecological new city suitable for residence.

On 28 January 2019, the Group successfully won the bid for the first batch of land parcels "Rui'an Jiangnan New Area, Nanbinjiang Phase II land parcels nos. 02-41, 03-05, 03-06, 03-10 and 03-11" for the project. Currently, various works of the project progress well.

SUZHOU

ZHANGJIAGANG SMART SCIENCE CITY

Suzhou Zhangjiagang Smart Science City is located in Zhangjiagang, one of the top 3 cities among the top 100 county-level cities in China situated at Yangtze River Delta Region. It is a key region of "northern expansion" of cities and represents a high-tech area under the key development of Zhangjiagang government. The entire industrial city has a planned area of approximately 11.36 square kilometres, which connects to the city centre and the "express rail link new city" under planning, and is a leader of innovative development across the city as well as a colony of high-end elements. Looking ahead, the project will focus on "one heart and one eye" as the core and "vertical and horizontal axes" as the backbone and bundle up "Shazhou Lake CBD" and "Nanheng Eco Corridor" as a group with the aim of building itself into a "new centre" of the city embracing retail, residence, entertainment, industry, education and research. This will further enhance Zhangjiagang's city functions in the Yangtze River Delta city clusters and shape itself to become the next city namecard in Zhangjiagang since the reform and opening up and facelift of the city.

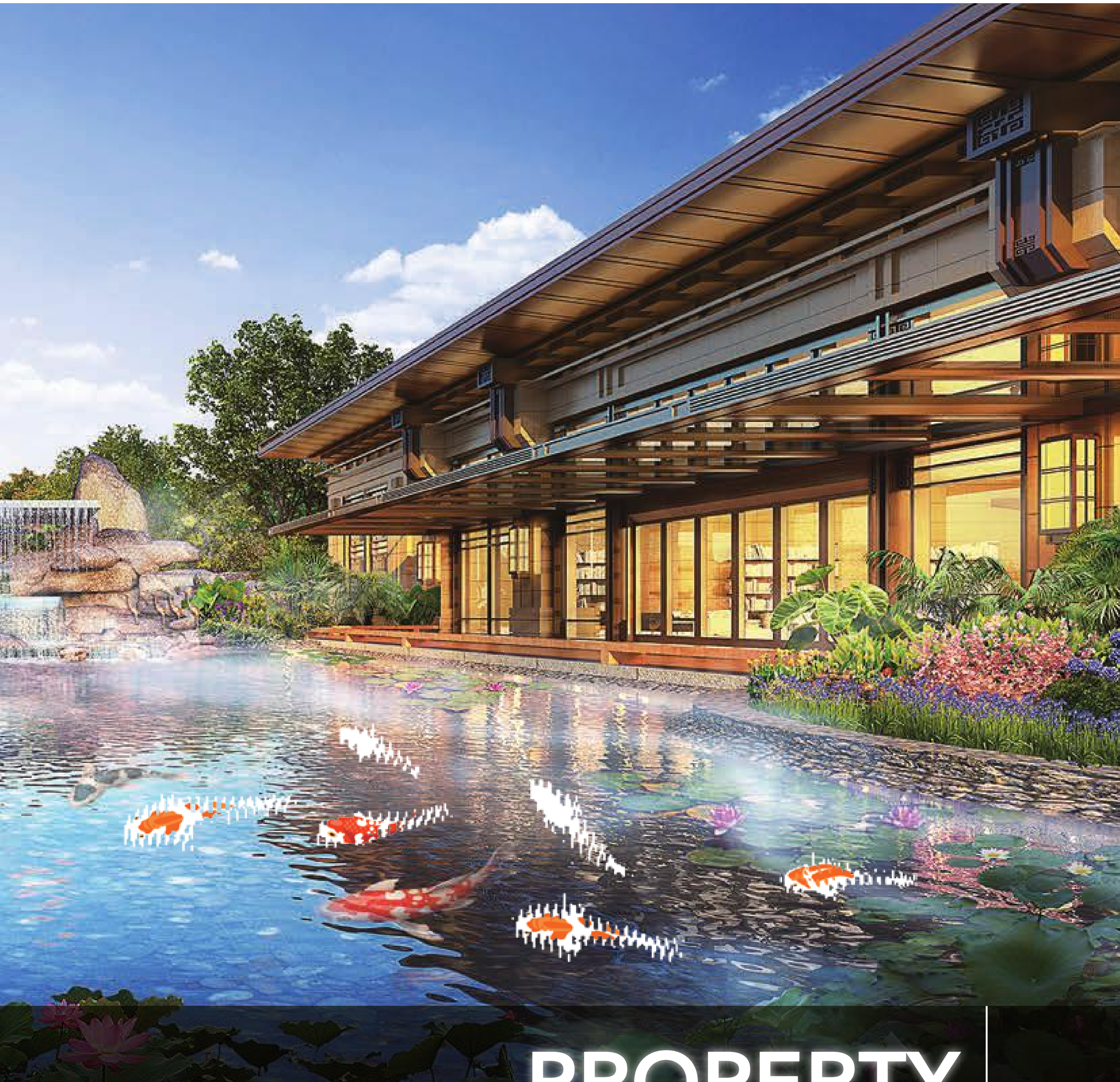
On 29 January 2019, the Group successfully won the bid for the first batch of six land parcels for the project with a gross floor area of approximately 1.04 million square metres and a saleable area of 720,000 square metres. Among which, Jinmao Mall of Splendor, being the flagship of the high-end commercial segment, has a total capacity of approximately 100,000 square metres and will be developed into a large-scale comprehensive high-end commercial centre comprising restaurants, retail shops, functions for parents and children, sports and entertainment. In the future, the project will generate synergies from the high-end office, hotel and residence within the segment and redefine the city-level large-scale planning of new centre of commerce in Zhangjiagang.

Ningbo Life Science City is located at the Fang Bridge in Fenghua District, representing a gateway of "southern integration" with the main city of Ningbo after the change of administrative ranking of Fenghua from city to district. The project will endeavour to develop the four major function areas of Southern Smart Valley, Cultural Waterfront, Trading Paradise and Health Territory to build Ningbo Life Science City Project into a model industry-city integration new city under the key tone of southward and northward city development in Ningbo that comprises four major segments including the smart industrial innovation, art and culture expo, integrated education and residence as well as high-end medical clusters. The project spans across an area of approximately 3.9 square kilometres and has a site area of approximately 5,934 mu. Upon completion, the gross floor area of the entire developments will be approximately 4.76 million square metres.

Adhering to the "two-wheel and two-wing driven" strategy and the "two drivens and two upgrades" industry-city-integration model, China Jinmao will capitalise on marketisation and its extensive experience in city operations to adjust the economic structure and industry structure within the district to create fiscal income for the government, while enhancing the segment's attractiveness in the city through optimising the public service amenities and improving the living environment. In that way, China Jinmao can maximise the value of economic benefits, social benefits and environmental benefits and also lay a solid foundation for the future sustainable development of economy, humanity and nature to build the district where the life science city is located into the city's new namecard and new landmark as part of its efforts to boost Ningbo's city upgrade.

During the Period under Review, all project nodes progressed well on schedule.

◎ FUZHOU GULOU JINMAO PALACE



PROPERTY DEVELOPMENT

PROPERTY DEVELOPMENT

BEIJING JINMAO PALACE

Beijing Jinmao Palace is located in Songjiazhuang region, South Third Ring Road, Beijing, and is the first project launched in Beijing after China Jinmao's strategic transformation. The project aims to enhance the Jinmao Palace series in an effort to shape the "palace level" Jinmao Palace. As the first Jinmao Palace project of China Jinmao named after the city's name, it represents the only palace in the city but it is more than a palace. Beijing Jinmao Palace is a brand-new prototype of China Jinmao which adopts the operating strategy of the city by introducing municipal ancillary resources and facelifting the old town through innovative neighbourhood rebuilding, resulting in a better life of the city. It is not only a project, but an integrator of regional ancillary services. The introduction of this project has changed the image of the region. Within the one square kilometre area, the project follows the lifestyle of the internationalised street blocks of Manhattan, New York to create a 1,000-step accessible multi-dimensional metropolitan eco-circle of Jinmao, covering eight areas such as villa, medical, senior care, academics, retail (clubhouse), city park, metro and neighbourhood space. This will form a border-friendly complex community sustainable to cater for the needs of the city in its whole-life cycle.

In January 2017, Beijing Jinmao Palace was rated the "Model Luxury High-Tech Residential Project in China (Beijing) for 2017" at the election by www.fang.com. In the same month, Beijing Jinmao Palace earned the " Best Quality Mansion Award" at the NetEase golden dwelling size election organised by NetEase. In May 2017, Beijing Jinmao Palace was rated the "Harvard China Trip Urban Design Research Base" by Harvard Gradual School of Design.

During the Period under Review, the project was launched twice and sold out at each time, making it a hot commodity in Beijing; and other works of the project progressed well.

YIZHUANG JINMAO NOBLE MANOR

Beijing Yizhuang Jinmao Noble Manor is another brand new Noble Manor series product of China Jinmao in Beijing following the Palace series and Residence series. The area of the product ranges from 180 to 210 square metres aiming to enhance the lifestyle of two generations of a family. Taking a duplex residence design, it features a two-level new courtyard city villa and also marks the first villa product in Beijing integrating the technology system of constant temperature, humidity and oxygen into villas and courtyards. Adhering to the principle of "craftsmanship", the project blends the "Chinese soul and western technology" in its architecture and shapes an exclusive new courtyard villa which highlights the mix of nature and courtyard to enrich people's life.

During the Period under Review, some properties of the project were delivered and the acceptance test was completed; delivery process went smoothly; and various works progressed well.

FENGTAI JINMAO PLAZA

Beijing Fengtai Jinmao Plaza is situated at the core of Fengtai Science Park, West Fourth Ring Road. As the central business district of Beijing's new technology business, the headquarters of Fengtai Science Park mark another core headquarter business cluster following the Financial Street and Lize Financial District. It is a convergence of strong funding capabilities and sector demographic dividend which is in the phase of rapid development with tremendous future appreciation potential. Positioned with features of "exquisite craftsmanship and quality, green health and smart technology", Fengtai Jinmao Plaza strives to create three major property categories comprising LEED Gold high-end headquarters office premises, iterative operation smart business space as well as trendy and artistic retail street by adhering to the standards of LEED Gold and China Three-Star Green Label. Meanwhile, it has an upgraded green gold technology system and smart system in pursuit of quality excellence in a boundless, healthy, comfortable and secured environment to cater for customers' lifestyle in a brand-new city with a 360-degree approach. Adhering to the principles of Jinmao city operator and green gold technology, the project is set to be a landmark complex which transforms the business lifestyle of the city, and serves as a brand-new series of the plaza upgrade as a result of the iterative operation of the city.

During the Period under Review, the project completed the first block trading in retail and office premises and established itself as the benchmark of high-end retail and office premises in Beijing, thus laying a solid foundation for retail and office premises projects to be launched to the market subsequently. Other works progressed well.

Daxing Jinmao Residence is the third Jinmao Residence project of China Jinmao in Beijing. Adhering to the positioning as a city operator, the project is situated at the new city core in line with the gene of Jinmao's most high-end "Palace" series. High standards of specifications are executed throughout the process to develop a high-quality and high-tech smart community and to create a model of healthy and liveable residence for whole family to cater to the whole cycle needs of different families. Jinmao quality takes into consideration six living dimensions including temperature, air, noise, water, safety and intelligence and dedicates efforts to look into every detail of living so as to pay tribute to the ideal city living with Jinmao quality.

During the Period under Review, all project nodes progressed well on schedule.

CHANGSHA

MEIXI LAKE JINMAO HARBOUR

Meixi Lake Jinmao Harbour, which is located at the core region in Xiangjiang New District, Hunan, is at the starting point in the east from the central axis of Meixi Lake International New City under planning where Longwangang River and the sports park are at its west and the 3,000-mu Meixi Lake is at its east. It is situated at the land parcel that enjoys the lakefront view in the Meixi Lake area. The project will comprise a variety of segments including quality residence, lakefront business park and LOFT apartments with integrated functions ranging from leisure, culture, entertainment to business. As to product development, China Jinmao, by insisting on the green gold philosophy of "green technology and Jinmao quality", endeavours to create an environment which allows the home owners residing there to enjoy green and healthy living styles.

During the Period under Review, two buildings of the project in Phase II were sold out upon launch. The first batch of finely furbished residential units had heated sales and topped the sales chart of commodity properties for the month across Changsha, while the finely furbished apartment units remained a hot commodity since initial launch. Throughout the Year, the project was ranked third in Yuelu District and eighth across the city in terms of sales.

CHANGSHA

MEIXI LAKE JINMAO PLAZA

Meixi Lake Jinmao Plaza is located at the core region in Xiangjiang New District, Hunan Province. Situated at the core region of the north bank of Meixi Lake International New City, which has Meixi Lake and Festival Island to the south, the city's main road Meixi Lake Road to the north which seamlessly connected to Metro Line No. 2 under operation and an international cultural and arts centre to the east, the project enjoys a favourable geographical location. It will be developed into a high-end large-scale city complex consisting of a five-star hotel, a shopping mall, Grade A office premises and residences.

During the Period under Review, the residential properties were sold out nicely. The parking spaces were launched with heated sales and retail shops were sold out, representing the only project in the Meixi Lake district in 2018 with sales of commercial units of more than 1,000 square metres.

BINJIANG JINMAO PALACE

Located at the land parcel on Binsheng Road surrounded by Binjiang District People's Government of Hangzhou, Metro Line No. 1 and Qiantang River, **Hangzhou Binjiang Jinmao Palace** embraces high-end international residences with an approximate area of 200,000 square metres. The project marks the pioneer residential model project of technology in Hangzhou that simultaneously adopts the European standards of 12 smart technology systems and 5 advanced technologies.

During the Period under Review, the project was launched three times and sold out at each time, becoming a hot-sale landmark product in Hangzhou's high-end residential market. The underground works of the project were completed and other works of the project progressed well.

GUANGZHOU

TIANHE JINMAO PLAZA

Tianhe Jinmao Plaza Project is situated at the prime location of north of Tianhe, Guangzhou (at the south of the Meihuayuan Station of Metro Line No. 3). Occupying a gross floor area of approximately 330,000 square metres, it has a comprehensive range of facilities in the surrounding region and benefits from framework of a prosperous city. Featuring three principal product lines, namely the Jinmao Palace series high-end residence, trendy business centre and light luxury stylish apartment, the project represents a landmark business complex of China Jinmao as a leading quality property developer in the Southern China region.

During the Period under Review, the project remained a hot commodity and was ranked first in terms of sales amount with a unit price of over RMB50,000 per square metre in Guangzhou and gained the title of "Brand Value Property of the Year 2018" by Anjuke. Other works progressed well. The residential portion is expected to be prepared for completion in 2019.

HAIHE JINMAO PALACE

Haihe Jinmao Palace is situated at the prime location within the inner ring of Tianjin and is 1km from the riverfront closest to Haihe, representing the city landmark comprising the plant's commercial, office and high-end residence functions at the original site of Tianjin No.1 Thermal Plant. The project makes use of 12 major technology systems to shape a motion-sensing green gold quality high-tech luxury residence experience.

During the Period under Review, Haihe Jinmao Palace Project remained a hot commodity and was launched three times and sold out at each launch, thus becoming an icon of "healthy", "hi-tech" and "high-quality" residence in Jinmen. Other works of the project progressed well.

WUXI

LIHU JINMAO PALACE

Lihu Jinmao Palace is located at the northwest corner at the junction of Jinshui Road and Jincheng West Road adjacent to the Binhu district government, enjoying a comprehensive range of commercial amenities. Situated at the central position to Lihu, the project enjoys the world-class natural landscape of Lihu surrounded by a number of inner ring expressways connecting to various regions of Wuxi in 15 minutes. Lihu Jinmao Palace Project is conducive to promoting China Jinmao brand to set foot in Wuxi.

During the Period under Review, Lihu Jinmao Palace remained a hot commodity and was ranked first in all three areas, namely area sold, number of units sold and sales amount, for properties with unit price of over RMB30,000 per square metre in Wuxi. Other works of the project progressed well.

FUZHOU

GULOU JINMAO PALACE

Located in the hustle and bustle area of Gulou in Fuzhou, provincial capital of Fujian Province, **Gulou Jinmao Palace** embraces the political, commercial and cultural resources in Fuzhou with a convenient transportation network. The project is a rare parcel of land in the main city area for low-density development with a site area of approximately 106,000 square metres and a gross floor area of approximately 340,000 square metres, which will be developed into a large-scale, low-capacity, low-density ecological and liveable project in Fuzhou comprising multi-level buildings, small high-rise buildings and villas.

During the Period under Review, the project won the "2018 World Design League Award" (2018世界設計聯盟獎) and "Gold Award for Property in 2018" (2018時代樓盤金盤獎), marking the benchmark of luxuriance in Fuzhou.

YAOJIANG JINMAO PALACE

Yaojiang Jinmao Palace is located in the ecological residential area in Yaojiang with grade A river view in the vicinity of three major business circles namely Hengyi Plaza, Jiangbei Wanda Plaza and Sun Art Plaza and adjacent to light rail No. 4. Occupying a gross floor area of approximately 230,000 square metres, the project covers riverfront townhouses and high-tech villas and represents the only low-density luxury high-tech residence in Yaojiang New City, Ningbo.

During the Period under Review, the underground works of the project were about to be completed and various works progressed well.

ZHUZHOU • JINMAO RESIDENCE

Situated at the bridgehead in Yunlong Model District, Zhuzhou, **Zhuzhou • Jinmao Residence** is located within the original campus area of Central South University of Forestry and Technology and adjacent to Changjun High School, and is embraced by the cultural and humanity atmosphere. Facing the 1,800-mu Xuefeng Mountain National Forest Park, it enjoys unparalleled natural resources. The project features a 360-degree all-round education community. The project under sale covers quality residence, exquisite townhouses and favourably located retail shops.

During the Period under Review, the project was launched for the first time on 22 December 2018 and other works of the project progressed well.

KUNMING

WUJIABA • JINMAO PLAZA

Wujiaba • Jinmao Plaza is located in Guandu District, Kunming and adjacent to Wujiaba Central Park. The project, having a site area of 28 mu and a total gross floor area of approximately 100,000 square metres, is a land parcel with the most potential in the main city of Kunming. The project mainly comprises residential properties, apartments and commercial properties. The overall planning makes reference to the ancient city culture with a symmetric central axis embracing the natural scenery of mountains and waters of the colourful Yunnan Province with a view to creating a Mobius strip-shaped central garden area. Wujiaba • Jinmao Plaza, as the first high-end project of Jinmao in Kunming, endeavours to improve the living standard in the region and lead the regional development. By providing better-equipped and higher quality residence for the people of Spring City, the project represents the model of healthy and liveable residence for whole family.

During the Period under Review, all project nodes progressed well on schedule.

QUANZHOU

QUANZHOU TAN RESIDENCE

Quanzhou Tan Residence is located at the exact opposite of Maritime Silk Road Art Park, Taiwanese Investment Zone, Quanzhou with a total gross floor area of approximately 600,000 square metres, comprising three major products including high-rise units, commercial villas and retail premises. Embracing the stunning view of over 8,000-mu Baiqi Lake, the project is within walking distance to the province's key school, Hudong Experimental Campus and 1 million square metres' commercial complexes.

During the Period under Review, the project won the title of Quanzhou Outstanding Property Operator for 2018.

DONGGUAN

QINGXI JINMAO NOBLE MANOR

Qingxi Jinmao Noble Manor is situated at Qingxi Avenue, Qingxi Town, Dongguan, adjacent to Yinli Foreign Investors Golf Club. Being approximately one kilometre from the entrance gate of the expressway and only 30 minutes' distance to Shenzhen, the project is at the core location along the central axis of Guangdong-Hong Kong-Macao Greater Bay Area. As the pioneer project of China Jinmao to enter Dongguan, it will be developed into a high-quality and low-density community next to Shenzhen and the product categories include villas and high-rise units.

During the Period under Review, all project nodes progressed well on schedule.

XUZHOU

CHUHE JINMAO PALACE

Xuzhou Chuhe Jinmao Palace is situated at the side of Tongshan district government and along the central axis of city development. Enjoying the prosperity of the city, the project follows the Palace series' specifications to shape a low-density living environment highlighting private lifestyles. The project, which is in the vicinity of Quanshan Forest Park and Wumingshan Park and surrounded by River Chu, enjoys peace and tranquillity. Close to the core area of the district government and adjacent to Tongshan New District station of Metro Line No.3, it is accessible to main routes including Fengshan Road and Pengzu Road, thus offering a multi-dimensional transport system. Next to it is Tongshan District Experimental Primary School, Zhengji Middle School and Tsinghua High School, injecting abundant academic elements to the project. It is also surrounded by Tongshan Wanda and Sanbao Plaza. The project has a site area of approximately 36,000 square metres and a gross floor area of approximately 54,000 square metres. It is envisioned to be developed into the core segment of high-end customer clusters in Xuzhou in the future.

During the Period under Review, all project nodes progressed well on schedule.

SHANGHAI

HONGQIAO JINMAO RESIDENCE

Shanghai Hongqiao Jinmao Residence is situated at the big Hongqiao business district in the big Hongqiao core segment and represents another new product under Residence series of China Jinmao following its Noble Manor series and Palace series in Shanghai. The project has a total gross floor area of 208,000 square metres surrounded by many ring road expressways. It is only 10 minutes' distance to Hongqiao's transportation hub. The project is well-equipped with a range of ancillary facilities, enjoying the modern prosperity of the city. Its planning objective is to create a light luxury featured residential project with a reasonable layout, comprehensive functions, convenient transportation, green abundance and cultural depth by constructing a human-natured and ecological living environment.

During the Period under Review, all project nodes progressed well on schedule.

◎ BEIJING CHEMSUNNY WORLD TRADE CENTRE

COMMERCIAL LEASING

COMMERCIAL LEASING

During the Period under Review, the leasing of various office projects of the Group performed well. The occupancy rate remained high generally with growing rental levels.

Occupancy rate of office buildings

	Beijing Chemsunny World Trade Centre	Sinochem Tower	Jin Mao Tower – office portion	Nanjing Xuanwu Lake Jinmao Plaza Phase I – office portion	Changsha Meixi Lake International R&D Centre
2018	99.6%	100.0%	90.9%	88.5%	100.0%
2017	100.0%	100.0%	97.7%	98.4%	100.0%

BEIJING

CHEMSUNNY WORLD TRADE CENTRE

Beijing Chemsunny World Trade Centre, which is situated on Fuxingmen Nei Avenue within the financial district of Beijing, is adjacent to West Chang'an Avenue and opposite to Financial Street. It is the first premium office building in China being granted China Three-Star Green Label and USGBC's LEED-EB platinum certification at the same time.

BEIJING

SINOCHEM TOWER

Sinochem Tower, which is situated at the heart of Beijing on Fuxingmen Wai Avenue, the prime location of the business circle of Financial Street which is less than 50 metres away from the subway station of the Beijing Subway Line One, is an office building supported by sophisticated office facilities and personalised services.

JIN MAO TOWER – OFFICE PORTION

Jin Mao Tower, which is situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, is one of China's landmark buildings. The 420.5-metre-high 88-storey tower represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology. Its superior landmark effects make the tower one of the first choices as place of business in Shanghai for prestigious domestic and foreign corporations.

RETAIL OPERATIONS

© CHANGSHA JINMAO MALL OF SPLENDOR

RETAIL OPERATIONS

NANJING

JINMAO PLACE

Nanjing Jinmao Place, which is situated at Xuanwu lakefront within Ming City Wall, embraces a distinctive natural landscape of mountains and the lake. The project, which commenced operation in 2015, represents a unique and diversified high-end commercial complex in Nanjing.

During the Period under Review, the operation of Nanjing Jinmao Place was stable.

SHANGHAI

J • LIFE

Located in the podium building of Jin Mao Tower, **Shanghai J • LIFE**, which commenced operation in 2005, is anchored by a variety of famous brands engaging in the provision of private nursing services, financial services, retailing services and Chinese and western catering services, bringing unique and personalised living services for high-end business customers.

During the Period under Review, the operation of Shanghai J • LIFE was stable.

QINGDAO

JINMAO HARBOUR SHOPPING MALL

Qingdao Jinmao Harbour Shopping Mall is located at the harbourfront of Jiaozhou, south of Qingdao opposite to Huangdao Development Zone and Hongdao High-tech Industrial Development Zone across the sea. Opened in June 2017, the project is a seafront shopping mall in Qingdao closest to the sea with the latest design concepts.

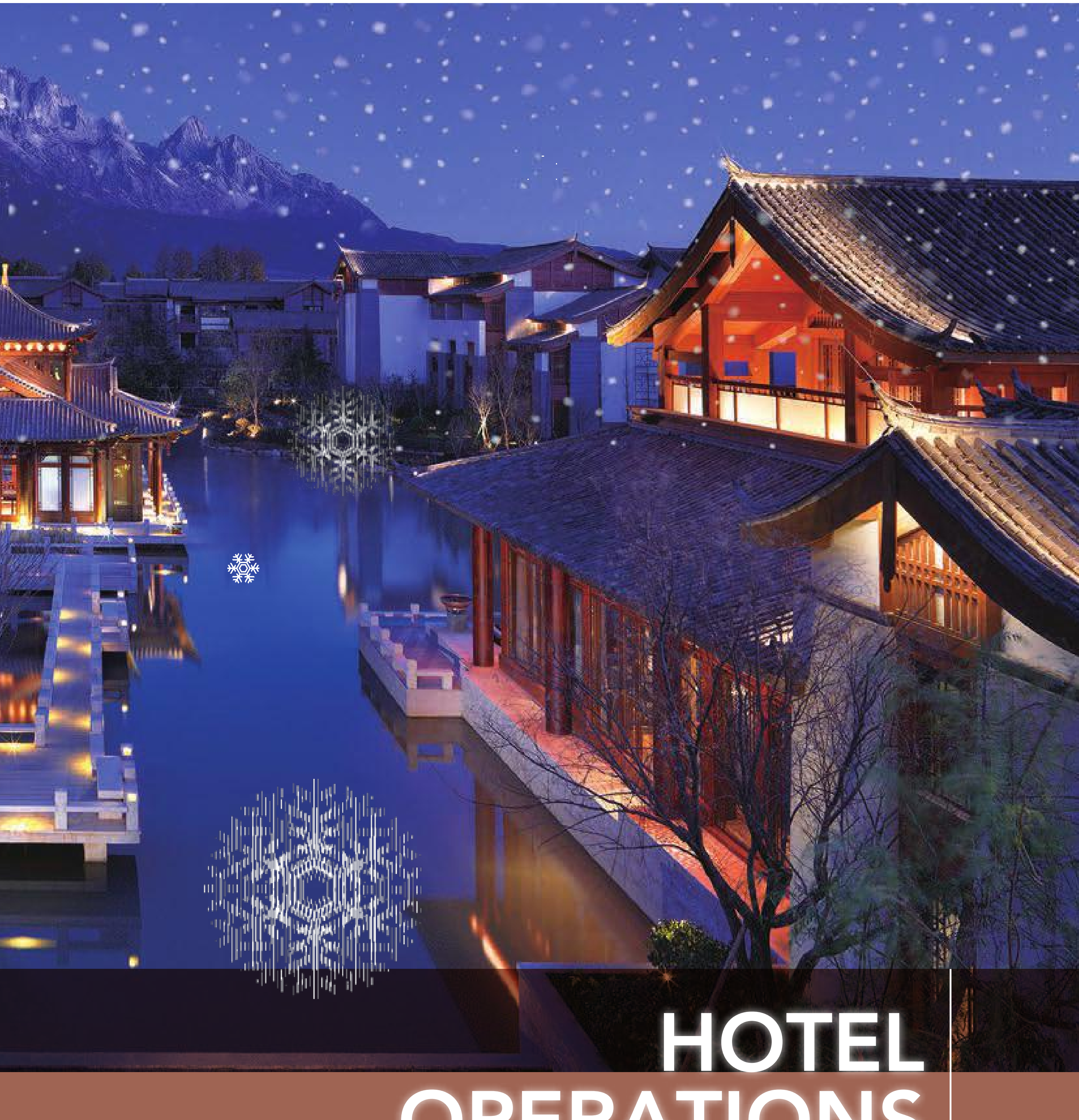
During the Period under Review, the operation of Qingdao Jinmao Harbour Shopping Mall was stable.

JINMAO MALL OF SPLENDOR

Changsha Jinmao Mall of Splendor is located inside Changsha Meixi Lake International New City offering a myriad of functional segments including shopping, recreation, catering, entertainment, Kids Planet and Jinmao Sports. Officially opened in 2017, it is the first self-operated waterfront commercial complex with global leading concepts under the commercial segment of China Jinmao.

During the Period under Review, Changsha Jinmao Mall of Splendor identified the consumption demand of core customer and centred on the consumption preference of core customers. Through targeted marketing and brand introduction, the performance of the project continued to pick up and the operating conditions remained positive.

© LIJIANG JINMAO HOTEL • THE UNBOUND COLLECTION BY HYATT



HOTEL OPERATIONS

HOTEL OPERATIONS

During the Year, faced with uncertainties in the economic environment and intensifying market competition, the hotel operations segment actively sought market opportunities and made use of flexible marketing strategies to optimise customer mix and enhance the quality of service, which enabled the Group to continue to maintain a leading position among its competitors within the same region.

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2018

	Grand Hyatt Shanghai	Hilton Sanya Yalong Bay Resort & Spa	The Ritz-Carlton Sanya Yalong Bay	The Westin Beijing Chaoyang	JW Marriott Hotel Shenzhen	Westin Nanjing	Hyatt Regency Chongming	Renaissance Beijing Wangfujing Hotel	Lijiang Jinmao Hotel	Meixi Lake Hotel, A Luxury Collection Hotel, Changsha
Average room rate	1,411	1,108	2,146	1,218	1,096	745	724	968	723	744
Average occupancy rate	89.4%	89.6%	62.4%	82.4%	84.7%	76.2%	54.2%	88.6%	48.4%	55.2%
Average revenue per available room	1,261	993	1,340	1,004	929	568	393	857	350	411

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2017

	Grand Hyatt Shanghai	Hilton Sanya Yalong Bay Resort & Spa	The Ritz-Carlton Sanya Yalong Bay	The Westin Beijing Chaoyang	JW Marriott Hotel Shenzhen	Westin Nanjing	Hyatt Regency Chongming	Renaissance Beijing Wangfujing Hotel	Lijiang Jinmao Hotel	Meixi Lake Hotel, A Luxury Collection Hotel, Changsha
Average room rate	1,456	1,319	2,129	1,162	1,039	737	826	879	775	695
Average occupancy rate	85.8%	77.8%	74.8%	83.6%	84.6%	74.7%	53.8%	84.4%	48.4%	45.5%
Average revenue per available room	1,249	1,026	1,594	972	879	550	444	742	375	316

SHANGHAI

GRAND HYATT SHANGHAI

Situated on 53rd to 87th floors of Jin Mao Tower, **Grand Hyatt Shanghai** was opened in 1999. The hotel has successfully hosted a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference, Forbes' Global CEO Conference and Shanghai Expo, representing one of the landmark hotels in Pudong, Shanghai.

SHANGHAI

HYATT REGENCY CHONGMING

Hyatt Regency Chongming, which is located at the east of Chongming Island, being the third largest island in China and known as the "land of fish and crops", was opened in 2014. The hotel takes a modern Chinese style as its overall architectural design which naturally blends with the surrounding eco-environment.

SANYA

HILTON SANYA YALONG BAY RESORT & SPA

Hilton Sanya Yalong Bay Resort & Spa, which is situated at the enchanting Yalong Bay, Hainan, was opened in 2006. The hotel is designed and built with unique features and services to provide an "unparalleled resort experience", a basic concept embodying strong southern China's characteristics.

SANYA

THE RITZ-CARLTON SANYA YALONG BAY

Situated at the charming Yalong Bay, Hainan, **The Ritz-Carlton Sanya Yalong Bay** was opened in 2008. The hotel has a number of luxury suites and villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

BEIJING

THE WESTIN BEIJING CHAOYANG

The Westin Beijing Chaoyang, which is situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, is only 25 minutes' ride from Beijing Capital International Airport. Since its opening in 2008, the hotel has served numerous foreign heads of state and business elites, thereby establishing a high-end brand image.

RENAISSANCE BEIJING WANGFUJING HOTEL

Renaissance Beijing Wangfujing Hotel, which is situated at Wangfujing Avenue and adjacent to Tian'anmen Square and Palace Museum, was opened in 2014. The hotel adopts a unique dual-wing architecture design with an endless stream of spectacular palaces from the Ancient Wall of the Imperial City and The Forbidden City to the west and the modernised international metropolitan clusters in the CBD of Wangfujing to the east, blending the modern and classic into one.

SHENZHEN

JW MARRIOTT HOTEL SHENZHEN

JW Marriott Hotel Shenzhen, which is located in Futian District, Shenzhen and in close proximity to the Shenzhen Golf Club, was opened in 2009. Its modern tropical design concept blends into the architectural style of the hotel and the local seasonal characteristics, making the hotel one of Shenzhen's landmark superior deluxe five-star business hotels.

NANJING

WESTIN NANJING

Westin Nanjing, which is located on 23rd to 35th floors of the South Tower in Nanjing Xuanwu Lake Jinmao Plaza, was opened in 2011. The hotel has 234 guest rooms, each overlooking a panoramic view of Xuanwu Lake and Purple Mountain.

LIJIANG

LIJIANG JINMAO HOTEL

Lijiang Jinmao Hotel • The Unbound Collection by Hyatt, which was opened in 2014, is situated inside Jinmao Richmond Town at the northern end of Shangri-La Avenue and connects to J•Life's exquisite commercial portion and premium quality villas.

Jinmao Purelax Mountain Hotel, Lijiang in the scenic area, which was opened in September 2015, is situated in Ganhaizi, Jade Dragon Snow Mountain. The hotel perfectly integrates the elements of Naxi culture and modern comfort, creating an impeccable space for clients to admire the magnificent snow mountain view from their rooms.

CHANGSHA

MEIXI LAKE HOTEL, A LUXURY COLLECTION HOTEL, CHANGSHA

Officially opened in 2016, **Meixi Lake Hotel, A Luxury Collection Hotel, Changsha** is located at the prime location in the State-level Xiangjiang New District adjacent to Meixi Lake International Cultural & Art Centre. Taking the design of "Exploring the peach garden" and blending the cultural essence of Hu and Xiang, the hotel leads travellers from all over the world to embark on the journey of exploring the peach garden.

HUZHOU

JINMAO DREAMLOHAS RESORT & HOTEL, MOGAN MOUNTAIN

Jinmao Dreamlohas Resort & Hotel, Mogan Mountain is located in the scenic area of Mogan Mountain with a longstanding history and strong cultural ambience adjacent to the residence of MAO Zedong. The hotel, which commenced trial operation in 2017, offers exquisite featured guest rooms with a range of advanced and comprehensive functional facilities, blending together the charm of Oriental Zen with the taste of petite bourgeoisie. The project is the first high-end luxury hotel of Jinmao Hotel to provide brand management export service.

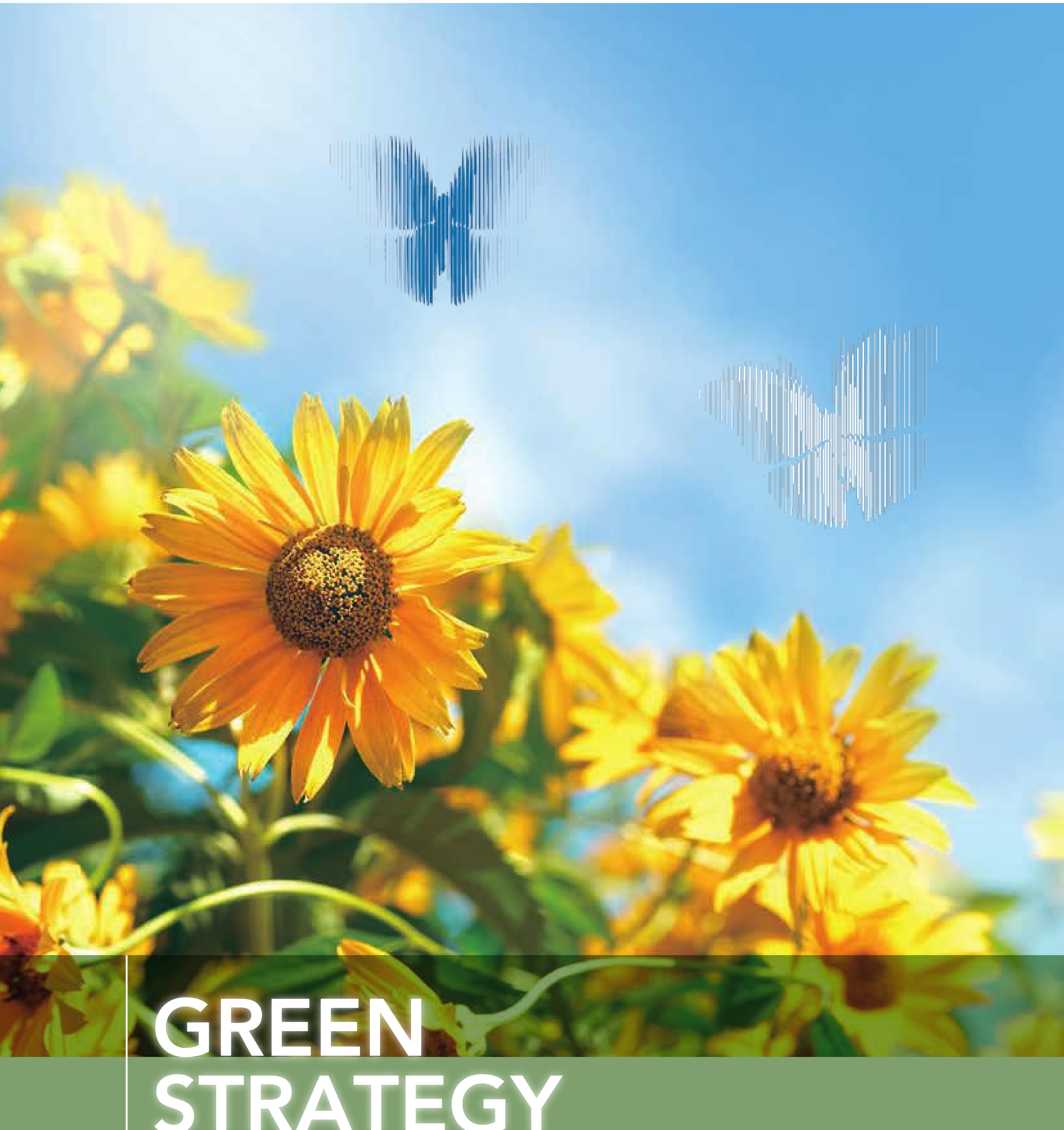
In 2018, adhering to the positioning of "expert of city operations and financial service, JM Capital began investing in the two major business segments, namely real estate fund and industry investment, and continued to diversify and extend the chain of city operations and financial service to facilitate China Jinmao's transformation and upgrade to a technology-driven innovative company.

In 2018, faced with complete tightening of policies and funding, JM Capital actively explored the business opportunities arising from the process of urban development and renewal relying on its "financing capabilities" as its core competitiveness and endeavoured to push ahead the innovation of financial service for city operations in adherence to the strategy of "industry-led finance to boost the industry". The attractive investment returns generated won wide recognition from the investors and business partners.

By leveraging on its property resources and experience, China Jinmao will capitalise on the introduction and R&D of its leading building technology to extend the application of building technology to the provision whole-life cycle technological services for green and healthy, smart technology buildings. In addition, based on the whole-life cycle of city operations, the Company will gradually form a comprehensive service system with emphasis on property and ancillary services which features tenant recruitment and services, as supplemented by services of retail and hotel management.

In 2018, Jinmao Green Building persisted in the technology-led strategy and continued to improve the industry layout with focus on the comprehensive services in the areas of smart energy and building technology. As to smart energy, it specialises in the R&D and breakthrough of smart energy technologies. During the Year, it completed the implementation of 10 smart energy projects. As to building technology, it completed the rumination for upgrade of several core products including household technological system. During the Year, the Company obtained 79 patent authorisations and seven software copyrights.

FINANCE AND SERVICES



GREEN STRATEGY

CHINA JINMAO GREEN STRATEGY

1 DESCRIPTION

In 2018, the Group continued to implement the green strategy as a crucial soft power in achieving innovative development and differentiated competition and was ranked first among the Top 10 Most Competitive Green Property Developers in China, Top 10 Most Competitive Centrally-owned (State-owned) Green Property Developers in China, Top 10 Most Influential Green Property Developers in China and was ranked fourth among the Top 10 Most Competitive Green Commercial Property Operators in China according to the 2018 China Green Real Estate Development Report published by China Real Estate Business. During the Year, the Group had 19 additional projects granted the green label and obtained 24 green label certifications including seven state green labels, 11 BREEAM certifications, two LEED pre-certifications, three WELL pre-certifications and one two-star healthy building certification. Among them, Xincheng Hongkou Jinmao Palace was granted WELL gold pre-certification and BREEAM Very Good design certification. Jinmao Green Innovation Centre received the green building three-star label, LEED CS platinum certification and WELL platinum certification. Wuxi Lihu Jinmao Palace obtained China Healthy Buildings two-star design label. These honours have displayed the high-level standards and quality of Jinmao products.

On 20 September 2018, the model green ecological area of Changsha Meixi Lake New City completed the acceptance inspection with flying colours. As the pioneer model green ecological area of China Jinmao, it represents a milestone in China Jinmao's development of ecological city.

In 2018, Jinmao Palace ruminated its model for the first time with the view to providing healthier and more comfortable "smart residence". To further enhance quality and experience, Jinmao Palace 2.0 carried out an upgrade in both green health and smart technology and created a more personalised smart living system by introducing artificial intelligence ("AI"). At the same time, in 2018, China Jinmao completed the compilation of technology measures and implementation guidelines on corporate technology system upgrade, standard system diagrams and techniques, and developed a number of healthy living and smart technology systems.

In addition, China Jinmao continued to provide comprehensive energy services including regional heating, cooling and power supply. Up to the end of 2018, the area of power supply covered by power stations under construction and in operation amounted to 23 million square metres, offering clean and stable energy services to more than 1 million energy users. It is estimated that 100,000 tonnes of carbon emissions will be reduced each year.

2 MAJOR ACTIVITIES AND HONOURS

1. **China Jinmao participated in the 14th Conference on Green Building in China**

   The 14th Conference on International Green and Energy-Efficient Building cum New Technologies and Products Expo, proclaimed as the top annual event of the green building industry, was opened during 2 to 3 April 2018 at which the secretary general of Chinese Society for Urban Studies, professor YU Gang from Tsinghua University and other industry and academic professionals attended. As a pioneer and leader of green building in China, China Jinmao has been invited to attend this event for many times. At the opening ceremony, China Jinmao shared its strategy, planning and achievements in the area of green building.

   At the expo, buildings no.30-34 on land parcel B of China Jinmao's Wuxi Lihu Jinmao Palace obtained China Healthy Buildings two-star design label, which became our another project to receive this honour after the promulgation of the Assessment Standard for Healthy Building, being a "new milestone" in green building development.

   In the morning of 3 April, sub-forum themed "China Jinmao 'zero carbon' city operations" was officially opened. A number of renowned experts in China were also invited to attend the forum.

2. **China Jinmao participated in the 24th World Climate Conference**

   The 24th Conference of Parties of United Nations Framework Convention on Climate Change ("UNFCCC COP24") was held in Katowice, Poland from 3 to 14 December 2018. Leaders of nations around the world, industry elites, experts and scholars gathered around to discuss the plan of how mankind should cope with global climate change and to fully explore and exchange views on the comprehensive implementation of the Paris Agreement.

   At the venue of the carbon market side meeting, China Jinmao, being the only enterprise invited to share at the meeting, shared its experience in greenhouse gas emission reduction over the years. LI Congrui, chief executive officer of China Jinmao spoke on the topic of "Enterprise's Experience Sharing on Greenhouse Gas Emission Reduction" and talked about China Jinmao's journey of low carbon development and proactive emission reduction.

   In the future, China Jinmao will continue to uphold Sinochem Group's principle of "In Science We Trust and Unity in Knowledge and Action" and adhere to the product strategy of "green health and smart technology" to focus on the product upgrade of both green health and smart technology, while building the smart data and smart service platforms and optimising the green health and smart technology industry chains to inject more smart elements into the product system with a view to maximise energy saving and low-carbon development of products by leveraging on scientific progress and industry integration.

3. **China Jinmao facilitated Nanjing to become the first city in China to achieve whole city participation in carbon neutrality**

   In 2018, China Jinmao quantified the "carbon emission reduction" of 3.4 million citizens in Nanjing using "My Nanjing" app, a smart city platform developed by the government of Nanjing where certificates and credits were awarded to drivers who opted out driving and citizens who exercised green commuting. China Jinmao leveraged on the smart city platform to encourage the public to take part in energy saving, emission reduction and environmental protection, thus facilitating Nanjing to become the first city in China to achieve whole city participation in carbon neutrality.

   Currently, the green commuting page of "My Nanjing" app has approximately 30,000 visits per day, approximately 80,000 credits have been rewarded, adding to more than 10,000 tonnes of carbon emission reduction per year on average.

To drive the whole community to develop Nanjing into a smart and low-carbon city and build the "zero carbon" namecard for Nanjing, in the morning of 23 November 2018, the Nanjing Green Commuting Carbon Neutrality Project Press Conference cum "My Nanjing" App Green Commuting Channel V2.0 Upgrade Ceremony was held by Nanjing Municipal Commission of Development and Reform (as organiser), China Jinmao (as commissioner) and China Beijing Environment Exchange (as co-organiser) at Westin Nanjing.

At the signing ceremony of the carbon neutrality project press conference, Nanjing Municipal Commission of Development and Reform, China Jinmao and China Beijing Environment Exchange mutually agreed on the cooperation and entered into the cooperation agreement in relation to the green commuting carbon neutrality project in Nanjing. China Jinmao was also granted the "certificate on carbon emission reduction transaction".

4. Jinmao Green Building and UL, a US company, successfully entered into the cooperation agreement

On 28 March 2018, the signing ceremony of the memorandum of understanding on the cooperation between Jinmao Green Building and UL, a US company, was successfully held in Beijing.

Jinmao Green Building will cooperate with the environment department of UL in building a professional construction materials volatile organic compounds ("VOCs") and indoor air quality testing laboratory to enhance the safety standards of buildings and construction materials. Apart from that, UL and Jinmao Green Building will also endeavour to explore solutions to indoor air pollution in order to enhance China Jinmao's green gold quality, and promote the SPOT database (being a green product database developed by UL containing more than 50,000 reliable green products; the number of which is on the rise) in China.

As witnessed by all members of the signing ceremony, both parties entered into the cooperation agreement, marking the start of official strategic cooperation between Jinmao Green Building and UL in the areas of indoor air quality testing laboratory solutions, green construction materials research and development, ecological construction materials labels, green product database and healthy building innovation, which facilitates the accomplishment of the corporate mission of "green technology and beautiful life".

5. Other awards in 2018

- Chang'an Jinmao Palace won CIHAF's top 10 green projects for 2018 and the Model of China Green, Healthy and Smart Habitat of the Year;
- Mr. TIAN Jiupo, assistant to president and chief technology officer of China Jinmao, was named among the "Top 100 Chief Technology Officers of Real Estate Enterprise";
- China Jinmao was ranked first among the "Top 10 Most Competitive Green Property Developers in China for 2018" and was among the "Top 10 Most Competitive Green Commercial Property Operators in China for 2018";
- Wuxi Lihu Jinmao Palace was named the "Model Green Building in Jiangsu Province";
- Jinmao Green Innovation Centre was successfully selected among the second batch of model projects for "Nearly Zero Energy Consumption Building Technology System and Key Factors" under National Key Research and Development Programme of China;
- Zhengzhou Beilonghu Jinmao Palace "Yunting" technological project was granted regional green building allowance of RMB2 million.

3 VISION OF GREEN DEVELOPMENT

In time we shape the city and the future is full of possibilities. Up to the end of 2018, China Jinmao has applied advanced low-carbon concept in the design, construction and operation of more than 150 projects in 40 cities across China, achieving comprehensive green and low-carbon transformation in the city or region as a whole.

The past is a prologue. In the journey of exploring green intelligence, China Jinmao, as the leading city operator in China, will set a "no limit" perpetual plan adhering to the principle of "In Science We Trust" to revive with more cities in search of a better tomorrow.

REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2018, profit attributable to owners of the parent amounted to RMB5,210.9 million, representing an increase of 31% compared with RMB3,977.7 million in last year. Profit attributable to owners of the parent less fair value gains on investment properties (net of deferred tax) amounted to RMB5,084.1 million, representing an increase of 30% compared with RMB3,905.0 million in last year.

Basic earnings per share, gross profit margin (by business segment) and net debt-to-adjusted capital ratio are selected by the Group as the indicators of assessment on the profitability and solvency of the Group. The analysis of these indicators can comprehensively summarise and evaluate the financial conditions and operating achievements of the Group, and effectively evaluate the management's governance level and whether the goal of maximising shareholders' interests is achieved.

REVENUE

For the year ended 31 December 2018, the revenue of the Group was RMB38,732.7 million, representing an increase of 25% compared with RMB31,074.8 million in last year.

Revenue by business segments

	For the year ended 31 December				
	2018		2017		
	RMB million	Percentage of the total revenue (%)	RMB million	Percentage of the total revenue (%)	Year-on-year change (%)
City and property development	**33,734.2**	**87**	26,869.2	87	26
Commercial leasing and retail operations	**1,449.8**	**4**	1,370.0	4	6
Hotel operations	**2,047.9**	**5**	2,070.0	7	-1
Others	**1,500.8**	**4**	765.6	2	96
Total	**38,732.7**	**100**	31,074.8	100	25

In 2018, revenue from city and property development of the Group increased by 26% over that of last year to approximately RMB33,734.2 million and accounted for approximately 87% of the total revenue, which was mainly attributable to the increase in sales properties delivered and settled as compared with that of last year. Revenue from commercial leasing and retail operations grew by 6% compared with that of last year and accounted for 4% of the total revenue, which was primarily due to the performance growth of a number of the Group's office and retail operations. Revenue from hotel operations decreased by 1% from last year and accounted for 5% of the total revenue, which was primarily attributable to the decreased market demand for some of traditional resort hotels to some extent. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management, green buildings and energy-saving and building decoration) accounted for 4% of the total revenue, representing an increase of 96% over that of last year, which was mainly due to the increase in revenue from building decoration and property management business.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2018 was approximately RMB24,194.5 million (2017: RMB21,034.2 million). The overall gross profit margin of the Group in 2018 was 38%, which increased by six percentage points as compared with 32% of last year, mainly attributable to the increase in the gross profit margin from the city and property development segment.

The gross profit margin of city and property development of the Year increased as compared with that of last year; the gross profit margin of commercial leasing and retail operations increased as compared with that of last year; the gross profit margin of hotel operations remained the same as compared with that of last year. The gross profit margin of other business sectors increased as compared with that of last year.

Gross profit margin by business segments

	For the year ended 31 December	
	2018 Gross profit margin (%)	2017 Gross profit margin(%)
Overall	**38**	32
City and property development	**36**	29
Commercial leasing and retail operations	**87**	83
Hotel operations	**49**	49
Others	**17**	13

OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2018 amounted to RMB2,722.4 million, representing a decrease of 29% from RMB3,850.9 million in last year. The decrease was mainly due to the decrease in gain on the disposal of the Company's subsidiaries in 2018.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2018 increased by 8% to RMB1,051.6 million from RMB977.4 million in last year, mainly due to the increase in selling and marketing expenses of Tianjin Haihe Jinmao Palace Project, Hangzhou Binjiang Jinmao Palace Project and Ningbo Yaojiang Jinmao Palace Project. Selling and marketing expenses comprise primarily the advertising expenses and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 3% (2017: 3%) of the Group's total revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2018 amounted to RMB2,417.5 million, representing an increase of 13% from RMB2,143.0 million in last year, mainly attributable to the Group's business expansion and the increase in general office expenses. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 6% (2017: 7%) of the Group's total revenue.

FINANCE COSTS

Total interest expense of the Group for the year ended 31 December 2018 was RMB5,377.6 million, representing an increase of 38% from RMB3,883.1 million in last year, mainly attributable to the new issuance of bonds and increase in loans during the Year. Among them, the interest expense capitalised by the Group amounted to RMB2,957.0 million, representing an increase of 35% from RMB2,190.6 million in last year; finance cost of the Group amounted to RMB2,420.6 million, representing an increase of 43% from RMB1,692.4 million of last year.

INCOME TAX EXPENSE

The Group had an income tax expense of RMB4,338.0 million for the year ended 31 December 2018, representing an increase of 18% from RMB3,674.6 million in last year, primarily attributable to the increase in land appreciation tax as a result of increase in gross profit margin of the city and property development segment over that of last year and the increase in PRC corporate income tax expenses (current and deferred) due to the increase in profit before tax for the Year. The Group's effective income tax rate for 2018 was 37% (2017: 42%), which decreased from that of the last year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2018, profit for the Year amounted to RMB7,376.7 million, representing an increase of 43% compared with RMB5,150.2 million in last year, mainly due to the growth in profit from the city and property development segment in 2018. For the year ended 31 December 2018, profit attributable to owners of the parent amounted to RMB5,210.9 million, representing an increase of 31% compared with RMB3,977.7 million in last year. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to RMB5,084.1 million, representing an increase of 30% compared with RMB3,905.0 million in last year.

Basic earnings per share for the Year were RMB45.28 cents, an increase of 21% compared with RMB37.27 cents in last year. The increase in basic earnings per share was primarily attributable to the increase in the profit attributable to owners of the parent for the Year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB44.17 cents (2017: RMB36.59 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December 2018 (RMB million)	2017 (RMB million)	Year-on-year change (%)
Profit attributable to owners of the parent	**5,210.9**	3,977.7	31
Less: fair value gains on investment properties (net of deferred tax)	**126.8**	(72.7)	74
Profit attributable to owners of the parent excluding fair value gains on investment properties (net of deferred tax)	**5,084.1**	3,905.0	30
Basic earnings per share (in RMB cents)	**45.28**	37.27	21
Basic earnings per share excluding fair value gains on investment properties (net of deferred tax) (in RMB cents)	**44.17**	36.59	21

INVESTMENT PROPERTIES

As at 31 December 2018, investment properties of the Group comprised the Central and West Towers and some floors of the East Tower of Beijing Chemsunny World Trade Centre, offices and retail operations of Jin Mao Tower (for lease), Sinochem Tower, office portion of Nanjing Xuanwu Lake Jinmao Plaza and Nanjing Jinmao Place, Changsha Meixi Lake International R&D Centre, Qingdao Jinmao Harbour Shopping Mall and Changsha Jinmao Mall of Splendor. Investment properties increased from RMB27,812.3 million as at 31 December 2017 to RMB29,205.9 million as at 31 December 2018. The increase was mainly due to the addition of new investment properties and the appreciation of investment properties.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2018, the current portion of properties under development comprised property development costs incurred by properties under development which have been pre-sold or are intended for sale and expected to be completed within one year from the end of the Reporting Period, whereas the non-current portion of properties under development comprised property development costs incurred by properties under development which have not yet been pre-sold and are expected to be completed after one year from the end of the Reporting Period.

Properties under development (current and non-current) increased from RMB66,533.8 million as at 31 December 2017 to RMB98,599.1 million as at 31 December 2018, mainly due to the costs newly incurred from the Xuzhou Chuhe Jinmao Palace Project, Dongguan Qingxi Jinmao Noble Manor Project, Quanzhou Tan Residence Project and other projects under development during the Year, which were partially offset by the transfer as a result of the sale of units in projects including Ningbo Haishu Jinmao Palace Project, Beijing Yizhuang Jinmao Noble Manor Project and Changsha Jinmao Harbour Project upon completion of construction.

INVESTMENTS IN JOINT VENTURES

The investments in joint ventures increased from RMB2,994.1 million as at 31 December 2017 to RMB7,346.6 million as at 31 December 2018, mainly attributable to the increase in investment in Jiaxing Lujin Jinmao • Jiahe Jinmao Palace Project and Shanghai Hongkou District Tilanqiao Land Parcel No. HK322-01 Project during 2018.

INVESTMENTS IN ASSOCIATES

The investments in associates increased from RMB3,843.7 million as at 31 December 2017 to RMB6,698.7 million as at 31 December 2018, mainly due to the increase in investment in Hangzhou Dongcheng Jinmao Palace Project and Shanghai Xincheng Hongkou Jinmao Palace Project during the Period under Review.

PROPERTIES HELD FOR SALE

The properties held for sale decreased from RMB11,772.5 million as at 31 December 2017 to RMB8,991.1 million as at 31 December 2018, which was mainly due to the transfer as a result of the completion and delivery of Ningbo Haishu Jinmao Palace Project, Beijing Yizhuang Jinmao Noble Manor Project, Changsha Jinmao Harbour Project and Changsha Meixi Lake International Plaza Project, which were partially offset by some buildings of Beijing Yizhuang Jinmao Residence Project, Guangzhou Nansha Jinmao Harbour Project, Suzhou Gusu Jinmao Palace Project, Chongqing Konggang Project and Qingdao China-Europe International City Project that were completed but yet to be delivered in 2018.

LAND UNDER DEVELOPMENT

The land under development (current and non-current) decreased from RMB15,875.1 million as at 31 December 2017 to RMB12,671.2 million as at 31 December 2018, mainly attributable to the transfer as a result of the revenue recognition of Changsha Meixi Lake International New City Project and the transfer as a result of the revenue recognition of Nanjing Qinglong Mountain International Ecological New City Project. Land under development included the land costs incurred by Changsha Meixi Lake International New City Project (including Changsha Meixi Lake Primary Development Project Phase I and Phase II as well as Changsha Meixi Lake Land Block A Primary Development Project) and Nanjing Qinglong Mountain International Ecological New City Project and etc.

TRADE RECEIVABLES

As at 31 December 2018, trade receivables amounted to RMB789.6 million, representing a decrease of 14% from RMB919.9 million as at 31 December 2017, which was primarily attributable to the receipt of part of the receivables from sales of Changsha Meixi Lake International New City Project in last year during the Year.

TRADE AND BILLS PAYABLES

As at 31 December 2018, trade and bills payables were RMB11,692.8 million, representing an increase of 28% compared with RMB9,163.1 million as at 31 December 2017, which was mainly due to the construction costs payable for the new projects of the Group during the Year.

INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2018, interest-bearing bank and other borrowings (including current and non-current) were RMB87,972.7 million, representing an increase of 23% over RMB71,331.5 million as at 31 December 2017. The increase in interest-bearing bank and other borrowings was primarily due to the increase in external loans used for new project development and issue of domestic medium-term notes and offshore senior notes.

GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less certain other financial assets, restricted bank balances and cash and cash equivalents. Adjusted capital comprises all components of equity and the amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2018 and 31 December 2017 were as follows:

	As at 31 December	
	2018 (RMB million)	2017 (RMB million)
Interest-bearing bank and other borrowings (including current and non-current)	**87,972.7**	71,331.5
Less: cash and cash equivalents , restricted bank balances and certain other financial assets	**(26,784.0)**	(22,647.8)
Net debt	**61,188.7**	48,683.7
Total equity	**78,265.3**	66,443.7
Add: amounts due to immediate holding company	**7,859.5**	3,945.7
Adjusted capital	**86,124.8**	70,389.4
Net debt-to-adjusted capital ratio	**71%**	69%

LIQUIDITY AND CAPITAL RESOURCES

The Group's cash is primarily used to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as the Group's indebtedness, amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank and other borrowings, issue of senior notes and medium-term notes, issue of perpetual capital securities, issue of domestic renewable corporate bonds and issue of new shares.

As at 31 December 2018, the Group had cash and cash equivalents of RMB21,324.2 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2017: RMB19,406.6 million).

As at 31 December 2018, the Group had total interest-bearing bank and other borrowings of RMB87,972.7 million (as at 31 December 2017: RMB71,331.5 million). An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December 2018 (RMB million)	2017 (RMB million)
By term:		
Within 1 year	**21,976.2**	27,826.6
In the second year	**21,116.1**	15,105.9
In the third to fifth years, inclusive	**39,607.8**	23,294.5
Over five years	**5,272.6**	5,104.5
Total	**87,972.7**	71,331.5

Interest-bearing bank and other borrowings of approximately RMB21,976.2 million were repayable within one year and shown under current liabilities. All of the Group's borrowings are denominated in RMB, HK dollar and US dollar. As at 31 December 2018, save as interest-bearing bank and other borrowings of approximately RMB49,257.0 million that bore interest at fixed rates, other interest-bearing bank and other borrowings bore interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2018, the Group had banking facilities of RMB130,083.2 million denominated in RMB, HK dollar and US dollar. The amount of banking facilities utilised was RMB70,078.8 million.

The Group's net cash inflow of RMB1,859.4 million for the year ended 31 December 2018 consisted of:

A net cash inflow of RMB2,011.9 million from operating activities, which was mainly attributable to the proceeds derived from the sales of properties, property rental and revenue from hotel operations etc, and was partially offset by the payment of land and construction costs, selling and marketing expenses, administrative expenses and tax expenses.

A net cash outflow of RMB19,588.7 million used in investing activities, which was mainly attributable to the investment expenditure, advances of loans to joint ventures and associates, loans to non-controlling shareholders and expenditure on construction of property, plant and equipment.

A net cash inflow of RMB19,436.2 million from financing activities, which was mainly attributable to the issuance of new shares by the Company, issuance of perpetual capital securities, loans from non-controlling shareholders, contribution from non-controlling shareholders, new bank loans and other borrowings, advance of investment from a third party and was partially offset by repayments of bank and other borrowings, payment of interests, payment of final dividends for 2017 and 2018 interim dividend and payment of dividend to non-controlling shareholders.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's interest-bearing bank and other borrowings were secured by the Group's property, plant and equipment of RMB311.0 million, properties under development of RMB44,927.7 million, properties held for sale of RMB140.8 million, land use rights of RMB149.0 million, interest in subsidiaries of RMB563.7 million, investment properties of RMB12,688.2 million and trade receivables of RMB22.9 million.

CONTINGENT LIABILITIES

As at 31 December 2018 the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB23,836.9 million (2017: RMB19,203.4 million).

MARKET RISK

The Group's assets are predominantly in the form of land use rights, land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. Since the first half of 2018, the Group uses the financial derivatives to partially hedge and control interest rate risk. The Group cannot assure that any future hedging activities will protect the Group from fluctuations in interest rates.

FOREIGN EXCHANGE EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in RMB. Since 2016, the Group has changed to report its financial results in RMB. As the Group still has borrowings denominated in US dollars and HK dollars, the Group is exposed to the risk of fluctuations in foreign exchange rates. Starting from March 2017, the Group has engaged in hedging to manage its currency risk, which is expected to eliminate some of the impacts arising from exchange rate fluctuations on the Group. Taking into account the transaction amount under hedging activities and the unpredictability of market exchange rate fluctuations, the Group cannot assure that these hedging activities will protect the Group from fluctuations in exchange rates in the future.

NETWORK RISKS AND SECURITY

As computer system and the Internet play a key role in our operations, the Group has designated professionals to monitor and assess the potential network risks. Hardwares and softwares are subject to tracking according to appropriate policies of the Company. Potential network risks and network security are major issues that draw the management's attention. Accordingly, the Group has put in place policies and procedures to regulate the use of the Internet, physical maintenance of system power supply, and regular update of the Internet security system and firewall, in order to isolate the Company's intranet from outside networks. Designated professionals are responsible for daily monitoring of any unusual network activities.

DATA FRAUD AND THEFT RISKS

The Group continues to review and update the internal control system on data and information access. The Group has adopted appropriate policies to protect its data. Only authorised persons are allowed to login. The management considers that the existing policies and procedures are effectively implemented to avoid data fraud and theft risks.

ENVIRONMENTAL AND SOCIAL RISKS

Due to the nature of business, in the event of serious and permanent climate change in China, the Company will face moderate environmental risks. The risks may have adverse effects on property construction and operations and affect the Company's market operations and the turnover of property sales.

Investor Relations

INVESTOR RELATIONS ACTIVITIES FOR 2018

January

Participated in the investor meeting held by BNP Paribas in Hong Kong
Participated in the investor meeting held by Everbright Securities in Shanghai
Participated in the investor meeting held by UBS in Shanghai
Participated in the investor meeting held by Deutsche Bank in Beijing
Participated in the investor meeting held by Nomura Securities in Hong Kong
Participated in the investor meeting held by Essence Securities in Shenzhen
Participated in the investor meeting held by Changjiang Securities in Shanghai
Carried out non-deal related roadshows in Hong Kong, Beijing and Shanghai

March

Announced the annual results for 2017
– Held press conference
– Held analyst meeting
Carried out non-deal related roadshow in Hong Kong

April

Carried out non-deal related roadshows in Singapore, Shenzhen, Shanghai, Beijing, London, New York and Boston
Participated in the investor meeting held by Industrial Securities in Shenzhen
Participated in the investor meeting held by Gelonghui in Shenzhen
Participated in the investor meeting held by Haitong Securities in Hangzhou

May

Participated in the investor meeting held by Southwest Securities in Wuxi
Participated in the investor meeting held by HSBC in Shenzhen
Participated in the investor meeting held by CICC in Beijing
Participated in the investor meeting held by Deutsche Bank in Singapore
Participated in the investor meeting held by Founder Securities in Beijing
Participated in the investor meeting held by Morgan Stanley in Beijing

June

Participated in the investor meetings held by Huatai Securities in Beijing
Participated in the investor meeting held by CIMB in Hong Kong
Participated in the investor meeting held by CSCI in Beijing
Participated in the investor meeting held by Industrial Securities in Shanghai
Participated in the investor meeting held by CICC in Shanghai
Participated in the investor meeting held by Credit Suisse in Hong Kong
Participated in the investor meeting held by Everbright Securities in Chengdu
Participated in the investor meeting held by Citibank in Hong Kong

August

Announced the interim results for 2018
– Held press conference
– Held analyst meeting
Carried out non-deal related roadshow in Hong Kong

September

Carried out non-deal related roadshows in Singapore, Shenzhen, Shanghai and Beijing
Participated in the investor meeting held by Nomura Securities in Shanghai
Participated in the investor meeting held by CLSA in Hong Kong
Participated in the investor meeting held by Huachuang Securities in Beijing

October

Participated in the fixed income investor meeting held by Fitch and Treasury China in Hong Kong

November

Participated in the investor meeting held by Bank of America Merrill Lynch in Beijing
Participated in the investor meeting held by Morgan Stanley in Singapore
Participated in the investor meeting held by Jefferies in Hong Kong
Participated in the investor meeting held by CITIC Securities in Shenzhen
Participated in the investor meeting held by Citibank in Macau

December

Participated in the investor meeting held by Gelonghui in Beijing
Participated in the investor meeting held by CITIC Securities in Beijing

COMMUNICATION WITH SHAREHOLDERS

The Company considers that high-efficiency communication is a key factor for establishing sound interaction with its shareholders successfully. The Company has been committed to providing its existing and potential investors with accurate and timely information, and maintaining its communication with investors by various means, thereby enhancing the transparency of its information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advice on the Company's performance. At the same time, the Company may also explain the operation of projects and its development strategies.

The Company has constantly maintained a sound two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circulars – they are distributed to shareholders and investors, as well as analysts who are interested in the Company's performance pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules");

- Annual general meeting – the directors and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and annual results announcement conferences – the Company announces its interim and annual results and responds to the inquiries from investors and the media;

- Voluntary disclosure of the Company's information – the Company, through different means, including investor meetings, telephone interviews, press releases and media interviews etc., announces major issues of the Company to the market in a timely and compliant manner pursuant the Listing Rules and the "Guidelines on Disclosure of Inside Information", and responds to the inquiries from investors and analysts in a timely manner;

- Periodic meetings with institutional investors and securities analysts on a voluntary basis – the Company provides information on its latest business development to attract more attention from the market. The management of the Company regularly participates in global non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries related to its corporate development strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company;

- Organising site visits – based on the development progress of its projects, the Company organises on-site visits for investors and analysts to directly visit various projects of the Company as and when necessary, and enables them to communicate with the management, so as to enhance investors' understanding of the Company's development.

In 2018, the Company's management participated in various investor meetings held across the world and global non-deal related roadshows (including those in Hong Kong, Singapore and Mainland China), to broaden its communication with international, Hong Kong and Mainland China investors. The Company also organised reverse roadshows in Beijing, Wuhan and Changsha to build investors' confidence in the product quality and brand premium of the Company as well as to increase their understanding of the Company's position as a city operator. During the Year, the Company received over 100 investors and arranged over 100 investors to visit its projects in different places.

FEEDBACK FROM INVESTORS

The Company considers investors' feedback highly important. During the Year, the Company conducted several summaries and analyses on opinions from investors and analysts to have an understanding of the effectiveness of its investor relations function in a timely manner. The Company will further improve the quality of communication based on the investors' feedback to facilitate better communication with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

China Jinmao's 2017 annual report gained 15 awards at the 32nd International ARC Awards held in 2018, and six of them were gold prizes. It is worth noting that China Jinmao won one gold prize and one bronze prize in the election of "Awards for Overall Annual Report" among the fiercest competition, making it become the Hong Kong listed enterprise focusing on real estate that received most prizes and with most gold prizes. This shows that the efforts made by the Company in investor relations and its information disclosure are widely recognised within the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to progressively strengthen its efforts on investor relations to facilitate better communication with public investors and analysts. The Company is committed to ensuring the full compliance with the disclosure obligations under the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and enhance the Group's corporate governance standards and transparency in order to gain more trust and support from investors.

CONTACT DETAILS FOR INVESTORS:

Tel: 852-28299518, 86-10-59368820
Fax: 852-28240300, 86-10-59369901
E-mail: chinajinmao_IR@sinochem.com

Corporate Social Responsibilities

Adhering to Sinochem Group's core principle of "In Science We Trust" and the mission of "Unleashing Future Vitality of the City", we integrate the concept of sustainable development into the operations and management of the enterprise while endeavouring to become a leading city operator in China to maximise the integrated value for the economy, society and environment. In 2018, the Company earned the title of the "2018 PRC CSR Real Estate Enterprise of the Year" at the Boao Real Estate Forum; won the "Social Responsibility Award of the Year" at the 2018 China Corporate Social Responsibility Summit organised by China Business Journal; and was honoured with the "GoldenBee Excellent CSR Report 2018 • Growing Enterprise" at the 11th PRC Corporate Social Responsibility International Forum organised by China WTO Tribune.

CREATING EXCELLENT VALUE FOR SHAREHOLDERS

Insisting on the philosophy of "Pursuing Excellence", the Company endeavours to strengthen its operational and management capabilities to facilitate the comprehensive and healthy development of the Company. In that way, the Company can gain the trust and support of the shareholders, thus enhancing its economic benefits. In 2018, the Group was ranked first in terms of "Financial Capabilities of Listed Real Estate Enterprises" granted by the professional committee of China Real Estate Association.

Maintaining investor relations. We persist in strengthening the communication and exchange with stakeholders including investors and make complete, accurate and compliant information disclosure on the investment updates and operating conditions to investors locally and abroad in accordance with the laws, while delivering positive news of the listed company to the market. In 2018, the Group participated in a total of 35 investor meetings at home and abroad, and had 109 publications on the Hong Kong Stock Exchange including announcements, circulars and the interim report and the annual report.

Innovating investment management. We further push ahead the "Zhongxin Scheme" which effectively secures investment demand to achieve low-cost and multi-channel financing. The Administrative Measures on Investment and Financing Matching has been officially implemented to increase the investment management capabilities and optimise the resource allocation mechanism. We also expanded funding channels by issuance of property management fee ABS, RMB dim sum bonds and perpetual medium-term notes.

Optimising risk management. While enhancing the risk management system, we have refined the risk management tools and strengthened the implementation of risk management work. Trainings on law and compliance have been organised to strengthen the employees' awareness on risk prevention and enhance their risk management capabilities. In 2018, 100% of the contracts were reviewed by legal specialists. No material risk event was identified.

Preventing bribery and corruption. The Group has in place sound preventive measures and reporting channels. In addition to taking a top-down approach in carrying out clean risk identification activities, the Group enters into letters of responsibility and undertaking in relation to clean culture development on a hierarchical basis. An anti-corruption work mechanism has been set up. The Group also organises training on anti-corruption on a quarterly basis and carries out disciplinary inspection work. In 2018, no event of corruption was identified.

BUILDING THE GOLD QUALITY FOR OUR CUSTOMERS

The Company upholds the philosophy that "customer's demand is our pursuit" and keeps a foothold on its quality control system and featured customer service system while attaching great importance to the quality of building and living experience with a view to enhancing customer satisfaction by creating a more comfortable, diversified lifestyle and a higher standard of living for its customers.

Guaranteeing product quality. Based on the "rock campaign 2.0", we continue to carry out the rock campaign "big contest" to fully raise the awareness of employees on quality, enhance quality control capabilities and enhance the level of quality control of the projects. We have improved the project quality control system and implemented the quality system through face-to-face training. An inspection system combining quarterly quality inspection, random checks and delivery evaluation by headquarters has been adopted to carry out a multi-dimensional and full-coverage quality assessment and to avoid quality risks. In 2018, the score for actual measurement of projects by third-parties reached 95, maintaining industry benchmark levels.

Innovating service experience. We endeavour to enrich the functions of "Jinmao Service Expert" (金茂服務家) App. In achieving efficiency enhancement, we are committed to providing carefree and dedicated service experience for customers. Visual technological applications including VR, AR and MR are innovatively implemented in the real estate area to enhance the technology experience in the model districts. Adhering to the principle of "dedicated, tailored, focused and innovative services", Jinmao Properties has optimised the property service model focusing on smart technology to create a high-quality property experience for customers. We have been honoured with the titles of "2018 China Top 100 Real Estate Developers" and "2018 China Top 100 Leading Property Management Companies by Service Quality".

Strengthening communication with customers. We voluntarily carry out communication and exchange with customers through a myriad of channels to seek the demands of various groups so that the customer service capabilities can be enhanced. On the basis of the four major brand services namely "Jia Xing Ye Mao"(家興業茂), "Mu Ru Qing Feng" (穆如清風), "You Ju Programme" (優居計畫) and "Jin Cai You Ni" (金彩有你), we have built the "Ji Chuang Yi (極創翼)" platform targeted to collect landlord ideas and feedbacks and explore customers' opinions on product upgrade so that the customers' true views are heard. Through the "Jinmao Luxuriance" face-to-face platform, we can listen to customers' voice to strengthen customers' perception and shape the service brand. A sound China Jinmao featured customer relationship management system has been established and China Jinmao's Manual on the Management of Customer Relationship Management has been revised to enhance the efficiency of customer relationship management and draw closer the Company and customers. We make use of the standardised customer service hotline across the nation to timely respond to and properly deal with customer complaints by regulating the complaint processing system and procedures to enhance the customer complaint processing capabilities.

CONTRIBUTING A CULTURE OF GREEN FOR OUR ENVIRONMENT

Guided by the "utmost green quality" strategy, the Company implements the concept of green building across the whole process from "planning, design, technology, construction to operation", while developing green and low-carbon products in pursuit of a harmonious relationship among the building, man, city and the environment. The Company takes a proactive approach in organising and participating in environmental welfare events and creates a positive atmosphere of environmental protection in its whole community operations in a bid to making greater contributions toward the goal of building "bluer skies, greener mountains, clearer waters and more beautiful environment" for China. In 2018, we obtained cumulatively 23 green building certifications with an area totalling 2,318,000 square metres. The Company was ranked first among the "2018 Top 10 Green Development Competitiveness Enterprises" (2018年度綠色開發競爭力10強企業).

Adhering to environmental regulations. In strict compliance with the Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China and relevant environmental protection laws and regulations, we have promulgated China Jinmao's Administrative Guidelines on Environmental Protection and strictly implemented the Guidelines on Dust Control at Construction Sites of Development Projects of China Jinmao and the Administrative Guidelines on Environmental Protection at Construction Sites of Development Projects of China Jinmao. We also carry out environmental impact assessment, take management measures to tackle dust pollution, noise pollution and solid waste pollution that may arise in the course of construction and operations, and reduce the discharge or emission of general solid wastes including sewage, waste gases and construction wastes so as to reduce the impacts of construction and operations on the environment with a view to minimising environmental pollution.

Developing green buildings. We advocate a green design, push ahead green construction and carry out green operations. We voluntarily implement green and environmental requirements in each stage of the whole-life cycle of buildings to enhance the energy efficiency level of buildings. We have also edited the Green Residence Standards 2.0 issued by the China Real Estate Association by making constructive advice to the development of green residence. We vigorously promote the innovative upgrade of energy saving and environmentally-friendly technology with focus on areas such as smart energy and real estate technology to build a smart technology industry chain. Up to the end of 2018, we cumulatively obtained 132 green building certifications at home and abroad with a green building ratio of development projects exceeding 90%. Xi'an Chang'an Jinmao Palace was ranked among the "CIHAF Top 10 Green Projects of the Year (年度十大綠色項目)" and the "Model of China Green, Healthy and Smart Habitat of the Year" (中國年度綠色健康智慧人居範本). It was also honoured with a certification from BREEAM, a UK competent institution, to become the first project to receive such an honour in Xi'an. The Jinmao Green Innovation Centre project has been shortlisted as the model project of public building on "Nearly Zero Energy Consumption Building Technology System and Key Factors" under National Key Research and Development Programme of China.

Promoting the development of eco-city. In pursuit of harmony between the city and the environment, technology and man, we endeavour to build an eco-city in line with international standards with Chinese characteristics, thus enabling the city to become an "organic ecological circle". We have participated in the editing of the initial views for consultation for the state's key topic: "Technical Guidelines on the Planning and Construction of Green Eco-Cities" spearheaded by the Technology Development Promotion Centre of the Ministry of Housing and Urban-Rural Development. The Company, being the only enterprise invited to speak at the "China Corner" carbon market side meeting of the 24th United Nations Climate Change Conference, shared its significant experience in greenhouse gas emission among enterprises.

Exploring the model of "zero carbon" city operations. We have constructed a 360-degree system on energy saving and emission reduction as part of its efforts to explore the development of "zero carbon" city operations in China and contribute wisdom and strength to the ecological civilisation in China. The second Nanjing Green Commuting Carbon Neutrality Press Conference was organised where we joined hands with Nanjing Municipal Commission of Development and Reform and China Beijing Environment Exchange to jointly quantify "carbon emission reduction" using "My Nanjing" app to call for public participation in energy saving, emission reduction and environmental protection in an effort to build Nanjing into the first city in China to achieve whole city participation in carbon neutrality while exploring new ways in fulfilling social responsibilities by working together with the government, enterprises and citizens. We have attended the 14th Conference on International Green and Energy-Efficient Building cum New Technologies and Products Expo and undertaken a sub-forum themed "China Jinmao's 'zero carbon' city operations", and held the second Carbon Neutral Alliance salon to explain the technology, philosophy and practical experience of building "zero carbon" city operations.

Carrying out environmental protection activities. We promote a green culture and advocate a low-carbon lifestyle through organising environmental welfare activities, thus creating a harmonious atmosphere of environmental protection in whole community operations. Themed "Every step is a change", the "Run Green China Challenge Q5", which covers 25 cities across the nation, was organised. The event innovatively introduced the public welfare element to call for widespread participation of the public with the aim of making the city a better place through running – a habit which also changes one's own self.

FACILITATING A WIN-WIN PATH FOR OUR PARTNERS

Upholding the core value of "integrity cooperation", we join hands with the leading enterprises of various industries locally and abroad in the course of development, while pushing ahead the development of the three segments of "big health, big education and big technology" of the city. The head office and regional branches of the Company jointly carried forward the contract signing on resources to form a "linkage" resources expansion mechanism to facilitate the online resource sharing platform.

Sunny and fair procurement. To increase the transparency of public tender for procurement, we have built a "green, open, regulated and smart" Jinmao sunny procurement cloud platform to achieve standardisation, compliance, interaction, visualisation, intelligence and data sharing of the entire process of tendering. We endeavour to optimise the green supply chain database and green procurement management system and integrate factors such as environmental protection, energy saving, health and safety as well as low-carbon emission into the procurement process. All suppliers are regularly evaluated for their performance of duties in a bid to enhance their awareness on and capability of sustainable development.

Innovative cooperation model. We have upgraded the cooperation model and rolled out a brand new model with Hyatt Hotels Group highlighting the cooperation between domestic hotels and internationally renowned five-star hotels. We also joined hands with Ctrip to work with Rezen Hotels Group to form the model of online marketing and offline management. By introducing the management of other star-rated hotels, hotel owners are provided with high-quality customer service and an effective marketing platform. We have entered into strategic cooperation with EUP Group (愛普集團) and successfully implemented, for the first time, the merger and acquisition project, which further accelerates the transformation of the Company into a diversified investment platform.

Facilitating cross-industry cooperation. During 2018, we have cumulatively entered into contracts with approximately 309 strategic partners to accelerate the clustering of industry leading resources. By working with smart technology enterprises, we are able to create a smart living ecological alliance leveraging on the complementary advantages and open up a new win-win situation of city operations and high-end industry technological cooperation as part of its efforts to promote the industrial upgrade of a smart new city. In addition to working with NetEase to jointly push ahead the development of the city's cultural facilities, we also worked with www.gjyunying.com to jointly build a maternity and baby service window or demo platform and set an ecological benchmark for maternity and infant health in an effort to push ahead the implementation of the smart maternity and baby industry system. To facilitate the implementation of targeted healthcare, medical and healthcare centre, genetic testing and proton treatment, we worked with Varian Medical Systems, a US company, to capitalise on the technological strengths of its medical system.

BUILDING A HAPPY HOME FOR EMPLOYEES

The Company attaches great importance to the development of employees. With adherence to the philosophy of "creation, sharing and growth together", the Company strives to protect their basic rights and offers attractive benefit package to safeguard the safety and health of employees. An employee training and growth system has been established to enrich the cultural life of employees, giving them comfort, care and confidence. As at the end of 2018. the Company had 11,095 employees.

Safeguarding employees' interest. Strictly abiding by the relevant international covenants and the state laws, as well as the relevant laws, regulations and systems in the places where we operate, we maintain a set of sound employee management rules and regulations in accordance with equal employment and anti-discrimination employment policies. We have stepped up the authorisation of key position management and professional ranking appraisal to allow frontline employees to have more flexibility, thus enhancing management efficiency. We have kicked off the union work that fits the development needs of employees so that employees are cared for and can benefit from the implementation of various policies. The union establishment rate at the Group's headquarters and its subsidiaries is 100% and the membership rate is 100%.

Caring for employees' health and safety. We persist in strengthening the HSE organisational system and optimising the health and safety rules and regulations to be a responsible leader. Dual responsibilities are set for one position to strengthen risk management. We also firmly grasp the contracting management and build a health and safety culture in upholding the "Palace" standards. Through organising "exchange programme to Japan", "100-day safety contest", "firefighting training and drill", "healthcare and fitness seminar" and other activities, we gradually establish a Jinmao exclusive HSE management brand to drive the fast growth of the Company and lead the HSE management direction for the real estate industry. In 2018, the Company's headquarters organised 88 HSE training sessions and 7,146 participants attended the training sessions cumulatively with training hours totalling 10,435 hours.

Optimising the benefit package. We drive the reform and upgrade of various remuneration, benefit and insurance packages. While introducing a remuneration package featuring position value, work performance and alignment with the strengths of various employees, we promote a performance-based system to ensure revenue growth and corporate development grow in line with employee performance. To improve the benefit package, we provide long service subsidy, special holidays, staff canteen on top of the basic social protection and benefits required by labour laws. We regularly hold birthday parties for employees to raise the sense of belonging of employees in a comprehensive manner.

Improving the training system. To improve the training curriculum, in 2018, we kicked off and completed the development and publication of the professional curriculum on top of the management curriculum. We also regularly organise new joiner training camp to help rookies understand the Company's culture and systems. While conducting intensive training for all employees, we facilitate the implementation of a high-performance culture and the replication of management genes to further deepen the development of organisational capabilities and strengthen the authorisation granted to frontline employees to form a training system for "ark students + young talents + professionals + Jin Cai students (金彩生) + leaders". During the year, the number of professional training hours reached 9,044 hours.

Enriching employee activities. A variety of leisure activities are held and various interest groups are formed to stimulate the working atmosphere and strengthen the unity and friendship between employees, thus increasing cohesion. The Jinmao "health season" has been launched, introducing three healthcare "major keys" including the health covenant, calendar and club passport to encourage employees to actively work out on a routine basis. We also encourage employees to make use of their leisure time to read and learn to acquire new knowledge and inspire innovative ideas in an attempt to develop a learning organisation.

DELIVERING BOUNDLESS LOVE FOR OUR COMMUNITY

Adhering to the mission of "alleviating poverty, actively participating in charity and building a harmonious community", the Company takes practical actions to fulfil its social responsibilities as a central enterprise, while engaging in all-round social welfare service to support education, targeted poverty alleviation and charitable donation as part of its public welfare branding efforts. In 2018, we organised 40 charity events and made commitments of RMB27.97 million to public welfare.

Optimising public welfare management. We endeavour to optimise the sustainable public welfare management system and explore the model of sustainable public welfare. By forming volunteer service teams, setting up charity foundations and joining hands with public welfare organisations, we have pushed various parties to actively take part in community service. Thus, a public welfare system which is "led by the Company and organised by various regions with synergies from partners and participation of all employees" has been formed to solve the real issues in the society in a bid to achieve a harmonious community.

Pushing head targeted poverty alleviation. Sticking to the state's "targeted poverty alleviation" requirements, we centre on poverty alleviation through education and poverty alleviation through industry. Based on "China Jinmao's Southwest Charity Walk" and "Mobile Library", we join hands with various charitable bodies to launch a myriad of public welfare and poverty alleviation activities including "Public Welfare Music Teaching" and "Green Gold Charity Walk". We also actively participate in the poverty alleviation assistance work that matches Sinochem Group's and deploy manpower of various departments to purchase poverty alleviation supplies for the deprived regions. Leverage on its professional strengths in city operations and building design, we take an active role in the planning and design of niche towns in Gangba county, Tibet.

Expanding public welfare projects. We are actively engaged in community service such as providing assistance to the underprivileged and providing support to the education sector. While improving the mechanism of public welfare and charity events, we introduce an innovative form of events in an effort to promote the public welfare development. We attach great importance to the healthy development of children with special needs. A charitable event titled "Kids along with Jinmao" has been held in this respect. To promote sports charity, we support junior badminton contests to guide the public to enjoy a healthy quality life. Caring for the singleton elderly has been one of our key efforts to support community service. Through carrying out visits to the elderly, we promote the traditional virtue of "respecting, loving and helping the elderly" and pass the care and warmth of the society to them.

Profile of Directors and Senior Management

Mr. NING Gaoning | Chairman and Non-executive Director

Mr. NING, who was born in November 1958, joined the Company in May 2016 as Chairman and Non-executive Director. Mr. Ning is currently a standing committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. Mr. NING joined Sinochem Group Co., Ltd. in January 2016, and currently serves as the chairman of the board of directors of Sinochem Group Co., Ltd., Sinochem Corporation and Sinochem Hong Kong (Group) Co., Ltd. He also serves as the chairman of the board of directors of Far East Horizon Limited (stock code: 03360). Mr. NING served as the chairman of the board of directors of Sinofert Holdings Limited (stock code: 00297) from March 2016 to December 2016. From October 1986 to December 2004, Mr. NING held various senior positions in China Resources (Holdings) Co., Ltd., including business manager and deputy general manager of enterprise development department, director and deputy general manager and vice chairman and general manager. Mr. NING served as the chairman of the board of directors of COFCO Corporation and a director of certain of its subsidiaries from December 2004 to January 2016. Mr. NING held various positions such as chairman of the board of directors of China Mengniu Dairy Company Limited (stock code: 02319) and a non-executive director of China Foods Limited (stock code: 00506), China Agri-Industries Holdings Limited (stock code: 00606) and CPMC Holdings Limited (stock code: 00906) until February 2016. In addition, Mr. NING also served as an executive director of China Foods Limited until November 2013. Mr. NING was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600743) until November 2014 and an independent non-executive director of BOC Hong Kong (Holdings) Limited (stock code: 02388) until October 2014. Mr. NING has over 30 years' experience in real estate development and investment, business management, capital market and discipline inspection and internal control. Mr. NING graduated from Shandong University in China with a bachelor's degree in Politics and Economics in 1983 and graduated from University of Pittsburgh in the United States with a master's degree in Business Administration in 1986. He was awarded the title of economist and senior international business engineer in 1987 and 2007, respectively. Mr. NING was a member of the 18th Central Commission for Discipline Inspection of the Communist Party of China (CPC). Currently, Mr. NING is a member of the "13th Five-Year Plan" National Development Planning Expert Panel, co-chairman of APEC Business Advisory Council (ABAC), chairman of APEC China Business Council, and an executive director of the International Chamber of Commerce (ICC). Mr. NING was awarded "CCTV China Economic Person of the Year" for three times, China's "Annual Top 25 Most Influential Business Leader Awards" by China Entrepreneur for 10 consecutive years, "China's Most Influential Business Leaders" by Fortune, "Asia Business Leader" Awards" by CNBC, and "Asian Corporate Director" by Corporate Governance Asia. From 2007 to present, Mr. NING has been a delegate of the 17th, 18th and 19th National Congress of the CPC respectively.

Mr. LI Congrui | Executive Director and Chief Executive Officer

Mr. YANG Lin | Non-executive Director

Mr. LI, who was born in March 1971, joined the Company in April 2009 as the vice president. Mr. LI has been serving as an executive Director of the Company since June 2011 and an executive Director and the Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company. He has been serving as a non-executive director of Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) and Jinmao (China) Investments Manager Limited since March 2014, and has been the chairman of the board of directors since April 2016. Mr. LI also has been serving as the chairman of the board of directors of Sinochem Franshion Properties (Beijing) Co., Ltd. and Jinmao Investment (Changsha) Co., Ltd., and an executive director of Jinmao Investment Management (Shanghai) Co., Ltd. Mr. LI joined Sinochem Group Co., Ltd. in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was a director and the general manager of Zhoushan State Oil Reserve Base Company Limited. Mr. LI has over 20 years of experience in strategy management, corporate governance, organisational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor's degree in Petroleum Geology and Exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master's degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an Executive Master of Business Administration degree from China Europe International Business School (CEIBS) in 2007.

Mr. YANG, who was born in January 1964, joined the Company in February 2014 as a non-executive Director. Mr. YANG joined Sinochem Group Co., Ltd. in 1994 and had held various positions, including deputy general manager of the finance and accounting department, general manager of the finance department, deputy general manager of the investment and development department, general manager of the fund management department, deputy chief accountant of Sinochem Group Co., Ltd., and deputy chief financial officer of Sinochem Corporation. Mr. YANG is currently the chief accountant of Sinochem Group Co., Ltd. and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions in various subsidiaries and/or affiliates of Sinochem Group Co., Ltd. Mr. YANG was a supervisor of China State Construction Engineering Corporation Limited, a company listed on the Shanghai Stock Exchange with stock code: 601668, from 2007 to 2010. Since October 2009, Mr. YANG has been a non-executive director of Far East Horizon Limited (of which Sinochem Group Co., Ltd. is a substantial shareholder with stock code: 03360). Mr. YANG has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group Co., Ltd. listed on the Shanghai Stock Exchange (stock code: 600500) since June 2010. Mr. YANG has been a non-executive director of Sinofert Holdings Limited (stock code: 00297), a subsidiary of Sinochem Group since August 2010. Mr. YANG has over 20 years' experience in fund management. Mr. YANG worked at Siemens AG and Wella AG from 1993 to 1994. Mr. YANG graduated from Tianjin University of Commerce with a bachelor's degree in Commercial Enterprise Management in 1985. He pursued a study of enterprise management courses in University of Stuttgart in Germany from 1990 to 1993.

Mr. JIANG Nan | Executive Director and Chief Financial Officer

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer of the Company and has been involved in the day-to-day management of the Company since then. Mr. JIANG served as an executive Director of the Company from 2007 to 2011, and has been an executive Director of the Company since August 2015. Mr. JIANG also holds positions in a number of subsidiaries of the Company and has been a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited since March 2014. He is in charge of the direction and management of the Company's accounting and finance, capital market, city-industry integration development, investor relations and budget assessment. He joined Sinochem Group Co., Ltd. in August 1995 and worked in the finance department of Sinochem Group Co., Ltd. from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006, responsible for handling the financial management and investment projects, and the operation of overseas funds of Sinochem Group Co., Ltd. Mr. JIANG has over 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. SONG Liuyi | Executive Director and Senior Vice President

Mr. SONG, who was born in November 1975, joined the Company as the assistant to the president of the Company in May 2011 and became the vice president of the Company in January 2013. He has been serving as the senior vice president of the Company since March 2017, and has been an executive Director of the Company since August 2017. Mr. SONG also holds positions in a number of subsidiaries of the Company, including the chairman, a director and the general manager of Sinochem Franshion Properties (Beijing) Co., Ltd., Beijing Franshion Yicheng Properties Company Limited and Qingdao Jinmao Properties Company Limited. Mr. SONG joined Sinochem Group Co., Ltd. in 2001 and worked at the investment business department of Sinochem International Corporation, the investment department and general office of Sinochem Group Co., Ltd. Mr. SONG has nearly 20 years of experience in project investment, real estate development and corporate management. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001.

Mr. LAU Hon Chuen, Ambrose | Independent non-executive Director, G.B.S., J.P.

Mr. SU Xijia | Independent non-executive Director

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a senior partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU was a standing committee member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited (stock code: 00933), Glorious Sun Enterprises Ltd. (stock code: 00393), Yuexiu Property Co., Ltd. (stock code: 00123), Yuexiu Transport Infrastructure Limited (stock code: 01052) and Joy City Property Limited (formerly known as The Hong Kong Parkview Group Ltd., (stock code: 00207). He is also a director of OCBC Wing Hang Bank Ltd., OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co., Ltd., Nanyang Commercial Bank, Ltd., Cinda Financial Holdings Co., Limited, Sun Hon Investment & Finance Ltd., Wydoff Ltd., Wytex Ltd., Wyman Investments Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited and Polex Limited. Mr. LAU also served as the chairman of the Central and Western District Board between 1988 and 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a Bachelor of Laws degree from the University of London in 1969. He is a solicitor of the High Court of Hong Kong, an attesting officer appointed by Ministry of Justice, the PRC and a notary public.

Mr. SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He was an assistant professor in 1996 and subsequently an associate professor in the Department of Accountancy of City University of Hong Kong. He has joined China Europe International Business School (CEIBS) since July 2010 as a professor of accounting. His research focuses on corporate governance and auditing practices of the PRC listed companies. He has also been appointed as the special researcher by the CICPA since 2005. He has given lectures at the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000058) from 2002 to 2008 and an independent director of Shenzhen Topray Solar Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002218) from 2007 to 2010, respectively. He was an independent director of World Union Property Consultancy (China) Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002285) from 2007 to 2013, and an independent director of Huazhong In-vehicle Holdings Company Limited (stock code: 06830) from 2011 to 2013. From 2010 to 2016, he served as an independent director of Sundy Land Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600077). From 2011 to 2017, he served as an independent director of Shenzhen Ellassay Fashion Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603808) and from 2014 to 2017, he served as a non-executive director of Jiangsu Changbao Steel Tube Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002478). Mr. SU has been an independent director of Opple Lighting Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603515) and Fujian Sanmu Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 00632). Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree in Accounting from Xiamen University in 1982. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. GAO Shibin | Independent non-executive Director

Mr. AN Hongjun | Non-executive Director

Mr. GAO, who was born in March 1964, has been an independent non-executive Director of the Company since November 2015. Mr. GAO served as an independent non-executive Director of the Company from July 2007 to June 2011. He is concurrently a member of the North Asia Commercial Properties Professional Committee of the Royal Institution of Chartered Surveyors. Mr. GAO worked for the Jones Lang LaSalle Beijing from April 2003 to May 2008 and was a national director before departure. He served as the managing director for China of Standard Chartered Asia Real Estate Fund Management Company from June 2008 to September 2009. He was the managing director of Tishman Speyer Properties and the general manager of its Beijing branch from October 2009 to October 2015. Mr. GAO worked as a project manager, a senior business manager and a senior investment manager for several investment and project management companies in the UK, Hong Kong and Canada between 1996 and 2003. Mr. GAO has over 20 years of experience in real estate development and investment, real estate finance and asset management. Mr. GAO obtained a bachelor's degree in Civil Engineering and a master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in the UK in 1998. Mr. GAO is a member of the Royal Institution of Chartered Surveyors and an assessor of this institution membership qualification.

Mr. AN, who was born in July 1975, has been a non-executive Director of the Company since November 2015. Mr. AN joined New China Asset Management Corporation Limited in May 2010 and served successively as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited since April 2013. Prior to joining New China Asset Management Corporation Limited, Mr. AN had held various positions, including project manager, macro researcher and research analyst, in Northeast Securities Co., Ltd., The People's Insurance Company (Group) of China Limited and China Life Franklin Asset Management Company Limited. Mr. AN has over 15 years' practical experience in securities, insurance and investment sectors, and has mastered a general knowledge in macroeconomic, securities investment and real estate industries, and developed an in-depth study in corporate governance, development strategy, etc. Mr. AN obtained his bachelor's degree in Economics at Jilin University in 1998, and the master's degree in Economics at Jilin University in 2002, and then the doctor's degree in Economics at Jilin University in 2006. Mr. AN obtained the Securities Practitioner Qualification Certificate issued by the Securities Association of China and the license to carry on businesses including advising on securities and asset management granted by Securities and Futures Commission of Hong Kong.

Mr. ZHANG Hui | Senior Vice President

Mr. ZHANG, who was born in October 1970, has been a vice president of the Company since January 2010. From March 2014 to October 2017, he was re-designated as the chief executive officer and executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) and Jinmao (China) Investments Manager Limited, and he has been re-designated as a non-executive director of these companies since October 2017. Mr. ZHANG has served as the senior vice president of the Company since October 2017. Mr. ZHANG is currently an executive director of a number of subsidiaries of the Company including Chongqing Maoxiu Properties Co., Ltd. and Jin Mao (Lijiang) Properties Co., Ltd. Mr. ZHANG joined Sinochem Group in 2002 and held a number of senior positions including general manager of Shanghai Orient Terminal Co., Ltd. Before joining Sinochem Group Co., Ltd., he worked at Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 20 years of experience in large-scale project development and management, project investment planning and corporate governance. Mr. ZHANG graduated from China University of Geosciences (Wuhan) with a bachelor's degree in oil and gas reservoir engineering in June 1995 and obtained a master's degree in business administration from China Europe International Business School in September 2008. He obtained the Professional Certificate of Specialty and Technology and was awarded with the title of senior economist in December 2011. He was a delegate in the 14th Session of the Shanghai Municipal People's Congress.

Mr. TAO Tianhai | Senior Vice President

Mr. TAO, who was born in October 1975, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining China Jin Mao (Group) Co., Ltd. in July 2000, Mr. TAO has served as the manager of planning management at the corporate planning department and the general manager of the strategic planning department. He successively served as the general manager of the strategic operations department, general manager of the cost contracting department and assistant to the president of the Company from October 2009. Mr. TAO currently serves as an executive director and chairman of a number of subsidiaries of the Company, including Jinmao (Shanghai) Real Estate Co., Ltd., Franshion Properties (Hangzhou) Co., Ltd., Franshion Properties (Ningbo) Co., Ltd. and Franshion Properties (Suzhou) Co., Ltd. Mr. TAO has more than 15 years of experience in hotel and real estate development and management, and accumulated extensive practical experience in areas of enterprises management, strategic management, operations management, etc. Mr. TAO obtained a bachelor's degree in Information Management from Northeast Normal University in July 1997 and a master's degree in Economics from Fudan University in July 2000.

Mr. WEI Zhe | Senior Vice President

Mr. WEI, who was born in June 1970, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining the Company in October 2013, he served as an assistant to the president of the Company. He is currently the chairman, executive director and general manager of a number of subsidiaries of the Company, including Guangzhou Jinmao Properties Co., Ltd., Foshan Maoxing Property Development Co., Ltd. and Shenzhen Yuemao Properties Co., Ltd. Mr. WEI began his work career in July 1991. He was the deputy secretary of the Youth League General Branch of the Design Review Office of Shaanxi Provincial Planning Commission from July 1991 to May 1995. He worked at China State Construction Engineering Corporation Limited from May 1995 to October 2013, during which he served as the architectural designer and person-in-charge of project design of China Construction Northwest Design & Research Institute, senior architect of the planning and design centre of China Overseas Property Group Co., Ltd., director and deputy chief architect of China Overseas Property (Xi'an) Co., Ltd., deputy director of design of China Overseas Property Group Co., Ltd. (North China), and director and design director of China Overseas Property Chongqing Co., Ltd. He served as the general manager of China State Construction Land, Changsha Branch and general manager of Changsha CSC Investment Co., Ltd. from July 2011 to October 2013. Mr. WEI is a Grade-1 registered architect and has accumulated more than 20 years of extensive experience in design and real estate project development and management. Mr. WEI obtained a bachelor's degree in Architecture from North-western Institute of Architectural Engineering in July 1991.

Mr. LIAO Chi Chiun | Company Secretary

Mr. LIAO, who was born in January 1968, has been the Chief Accountant, Qualified Accountant and Company Secretary of the Company since March 2007. Prior to joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 20 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has been committed to enhancing the level of its corporate governance. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except as described below, and most of the recommended best practices set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("Corporate Governance Code"). The Company will continue to improve its corporate governance practices, focusing on maintenance and enhancement of the management quality of the Board, internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintain its long-term healthy and sustainable development and is vital for the interests of its shareholders.

Provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director shall be subject to re-election by the shareholders at the first annual general meeting after the appointment. There is minor difference between the practice of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Director who fills casual vacancy will not adversely affect the operation of the Company.

In 2018, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management system. In order to fulfil its responsibilities, the Board has established and adhered to explicit operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operations of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate special committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and monitoring of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;

- strategic capital investments and new projects – through stringent project review and approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;

- financial and operational performance – through overall strategic planning as well as the implementation and maintenance of the operational monitoring system for financial and optimised performance management;

- management of relationship with stakeholders of the Company – through frequent communication with partners, governments, customers and other parties who have legal interests in the business of the Company;

- risk management – continuous risk management through review of the reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company; and

- corporate governance – formulation and review of the Company's corporate governance policies and practices; review and monitoring of the training and continuous professional development of Directors and senior management; review and monitoring of the Company's policies and practices in relation to compliance with laws and regulatory requirements; as well as review of the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

With respect to Board diversity, the Directors have different professional backgrounds, providing professional advice to the Company in their respective area of expertise. During the Period under Review and as of the date of this report, the Board consisted of the following nine Directors. The term of office of each of the Directors is three years from their respective dates of appointment:

NON-EXECUTIVE DIRECTORS

Mr. NING Gaoning (Chairman)
Mr. YANG Lin
Mr. AN Hongjun

EXECUTIVE DIRECTORS

Mr. LI Congrui (Chief Executive Officer)
Mr. JIANG Nan (Chief Financial Officer)
Mr. SONG Liuyi (Senior Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. GAO Shibin

Mr. SONG Liuyi was appointed as an executive Director and a member of the Strategy and Investment Committee of the Company by the Board on 8 August 2017. Pursuant to the Articles of Association, Mr. SONG was elected and appointed as an executive Director of the Company by shareholders at the annual general meeting held on 6 June 2018.

During the Period under Review and as of the date of this report, the composition of the special committees under the Board of the Company is as follows:

Audit Committee: Mr. SU Xijia (Chairman), Mr. YANG Lin and Mr. GAO Shibin

Remuneration and Nomination Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. AN Hongjun

Strategy and Investment Committee: Mr. LI Congrui (Chairman), Mr. JIANG Nan, Mr. GAO Shibin and Mr. SONG Liuyi

Independent Board Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. GAO Shibin

There were no changes of Directors of the Company during the Period under Review and up to the date of this report.

Biographical details of the Directors are set out from pages 116 to 120 of this report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are not involved in the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in the Board and the committee meetings brings independent judgment on issues relating to the Company's strategies, performance, conflicts of interest and management procedures, to ensure that adequate checks and balances are provided and the interest of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and appropriate to safeguard the interests of shareholders, other related parties and the Group.

The Company has three independent non-executive Directors in compliance with the requirements under the Listing Rules that the number of independent non-executive Directors shall account for at least one-third of the members of the Board and at least one of them shall have appropriate financial management expertise. Each independent non-executive Director has confirmed his independence to the Company, and the Company is of the view that these Directors are independent of the Company under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquiries and further information when necessary. All Directors and the special committees under the Board also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

The Directors actively participate in continuous professional development, develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. During the Reporting Period, all of the Directors participated in trainings relating to the real estate industry and seminars on the city, technology and economic development and their interrelations and other related topics organised by the Company. The Directors also participated in a number of external trainings and conferences, respectively. In particular, Mr. YANG Lin attended the "Forum on Innovative Development of the Accounting Industry during the Forty Years of Reform and Opening-up" and the annual conference of the Accounting Society for Foreign Economic Relations & Trade of China, and read books such as "Financial Management in the Age of Intelligence" (《智能時代財務管理》), "Risk Control: Credit Risk Management and Practice in the Age of Big Data" (《風控：大數據時代下的信貸風險管理和實踐》), "Money Changes Everything: How Finance Made Civilization Possible" (《千年金融史：金融如何塑造文明，從5000年前到21世紀》), "Logic of Finance 2: Path to Individual Freedom" (《金融的邏輯2：通往自由之路》), "The Intelligent Investor" and "Principle"; Mr. LI Congrui participated in the meetings, including the "CRECC Annual Conference 2018", "Minsheng Bank Real Estate and Finance Cross-Sector Seminar 'Thinking and Sharing Exchange' 2018" and "GIC Insights 2018"; Mr. JIANG Nan participated in the meetings, including the "Private Meeting between Directors of Listed Companies", "Training on the Disintegration of Organizations for Empowerment, High Efficiency and Large-scale Development and the Reconstruction of a Large-scale Operational System", "Seminar of the Head Office of China Merchants Bank on Asset Securitization Business for Strategic Customers", "Minsheng Bank Real Estate and Finance Cross-Sector Seminar 'Thinking and Sharing Exchange' 2018" and "Leju Finance Innovation Summit 2019"; Mr. SONG Liuyi attended the meetings, including "Cheung Kong Forum of CKGSB: Future Life Exploration and Social Innovation" and "Chang'an Forum of Tsinghua SEM: How Far Could Urbanization Go in China"; Mr. LAU Hon Chuen, Ambrose participated in the featured meetings and trainings, including the "Seminar on Basel Accord and Risk Management" organized by Nanyang Commercial Bank, the "Seminar on the Practice of Appointed Attesting Officers (2018)" organized by Association of China-Appointed Attesting Officers Limited, "Seminar on Implementing the Master Plan of the Capital, Deepening the Reform of Business System and Building a Favourable Market Environment ", "Seminar on Limited Liabilities Partnership", "RegTech: Harnessing Behavioural Science and AI for Risk Management and Performance Optimisation" and "Seminar on the Functions and Effects of Notarization on Reducing Litigation in the Aspect of Debts and Ensuring Safety During the Process of Transfer and Mortgage of Right in Rem", the "Anti-Money Laundering" and "Corporate Mergers and Acquisitions in Hong Kong" organised by the Hong Kong Academy of Law, the "Loan Market and Green Finance: What Directors Need to Know" organised by the Hong Kong Institute of Bankers, and "Seminar on Several Measures for Optimizing Business Environment in Shanghai and the Overview of Business System Reform"; Mr. GAO Shibin participated in the forums and conferences organised by Tsinghua University, the Royal Institution of Chartered Surveyors and Beijing Central Business District Management Committee on topics such as "Assets Management Empowered by New Technologies", "Establishment and Promotion of Buildings Evaluation Standards", "Value Appraisal under Real Estate Asset Securitization" and "Research on the Market Prospect of Long-term Rental Apartments"; Mr. AN Hongjun participated in Guotai Junan's investor forum and BOCOM International Securities' financial forum, and attended more than 20 meetings where topics are related to outlook and prospect analysis of investments in China and Asia.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company has made proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given the meeting agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from the consent obtained through circulation of five written resolutions to all Board members, during the Period under Review, the Board held four meetings, during which the Directors considered and approved various matters, mainly including the 2017 annual report and the 2018 interim report of the Company, China Jinmao's 2017 Sustainable Development Report, annual mandate for the issuance of onshore and offshore notes, annual mandate for wealth management, general mandate for interest and exchange derivatives transactions for hedging purpose, the standards of investment in innovative incubation projects and the mandate for the investment decision in relation thereto, the proposed new share option scheme and the mandate in relation thereto, the renewal of liability insurance for directors, supervisors and senior management for the year 2018-2019, the "Factoring Service Framework Agreement" signed with Sinochem Commercial Factoring Co., Ltd. and the annual cap for the continuing connected transactions contemplated thereunder, the annual caps for the continuing connected transaction under the "Framework Lease Agreement" signed with Sinochem Group Co., Ltd., and listened to the featured reporting regarding the improvement of informatization of China Jinmao, and the analysis of real estate market development. In addition, the Directors regularly review the relevant matters of corporate governance, including interpellating on the work reports and business plans of all departments of the Company's headquarters and member companies, review of the Company's compliance with the policies and practices on laws and regulations, training and continuing professional development of Directors and senior management, code of conduct for employees and Directors and the Company's compliance with the corporate governance code. Meeting and resolution participation of each Director during 2018 is set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting attendance rate	Total number of resolutions	Resolution participation rate
Non-executive Director	Mr. NING Gaoning	3/4	1	75%	8/9	89%
Non-executive Director	Mr. YANG Lin	4/4	0	100%	9/9	100%
Non-executive Director	Mr. AN Hongjun	4/4	0	100%	9/9	100%
Executive Director	Mr. LI Congrui	4/4	0	100%	9/9	100%
Executive Director	Mr. JIANG Nan	4/4	0	100%	9/9	100%
Executive Director	Mr. SONG Liuyi	4/4	0	100%	9/9	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	4/4	0	100%	9/9	100%
Independent non-executive Director	Mr. SU Xijia	3/4	1	75%	8/9	89%
Independent non-executive Director	Mr. GAO Shibin	4/4	0	100%	9/9	100%

The Directors are given sufficient information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the Company Secretary to ensure compliance with all procedures of the Board meetings. The Company Secretary keeps minutes of each meeting of the Board and the subordinate committees, which are available to all Directors for review at any time.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. NING Gaoning has been serving as a non-executive Director and the Chairman of the Company since 12 May 2016. Mr. LI Congrui was appointed as the Vice President of the Company in April 2009 and has been serving as an executive Director of the Company since 17 June 2011. He resigned as the Vice President of the Company and was re-designated as an executive Director and the Chief Executive Officer with effect from 16 January 2013.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balanced distribution of power and authority. The Chairman of the Company is responsible for leading and supervising the operation of the Board and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures that the Board acts in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is directly responsible for the management of daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS AND BOARD DIVERSITY

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of despatch of the notice of the general meeting to 7 days before the date on which such general meeting is duly convened. The Remuneration and Nomination Committee of the Company will also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

To achieve sustainable and balanced development, the Company considers that having a diversified Board is crucial to fulfilling its strategic objectives and achieving sustainable development. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates by the Company is based on a number of criteria on diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the Reporting Period, the Remuneration and Nomination Committee made recommendations to the Board with respect to the re-election of Directors having due regard of the above diversity requirements. The Board reviewed the current composition of Board diversity and confirmed that the members of the Board of the Company have diversified backgrounds, professional expertise and skills, including property development and investment, corporate management, capital market, law, financial accounting and financial investment. For future appointment and re-appointment, the Remuneration and Nomination Committee will also make recommendations to the Board with respect to the appointment of Directors according to the diversity policy of the Company so as to achieve Board diversity on an ongoing basis.

The diversity of the Board is set out below:

Age	
40 – 49	4 persons
50 – 59	2 persons
60 or above	3 persons

Term of directorship	
5 years or less	4 persons
6 – 10 years	3 persons
more than 10 years	2 persons

Roles	
Executive Director	3 persons
Non-executive Director	3 persons
Independent non-executive Director	3 persons

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company from time to time. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company have sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.6.2(a) to (d) of the Corporate Governance Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 169.

THE SPECIAL COMMITTEES UNDER THE BOARD

In order to review the specific matters, the Company has established four special committees under the Board, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

During the Period under Review and up to the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose (independent non-executive Director), Mr. SU Xijia (independent non-executive Director) and Mr. An Hongjun (non-executive Director). The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board at least annually based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

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

– to make recommendations to the Board on the remuneration policies, share option/incentive schemes for Directors and senior management and on the establishment of formal and transparent procedures for developing such policies; and

– to determine, with delegated responsibility, the remuneration packages of all executive Directors and senior management; to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, policies and objectives; and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

In 2018, the Remuneration and Nomination Committee's determination of remuneration packages and approval of incentive proposals included the following:

– assessed the performance of executive Directors and approved the terms of service contract of the executive Directors;

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the market rates;

– approved the vesting of the first batch of share options granted by the Company in October 2016; and

– made recommendations to the Board with respect to the re-election of Directors according to the policies and procedures for nomination of Directors with due regards to election and recommendation criteria including gender, age, cultural and educational background, professional experience, skills and knowledge.

The Remuneration and Nomination Committee entered into four written resolutions in respect of the above matters in 2018. Resolution participation of each member is set out below:

Position	Name	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	4/4	100%
Independent non-executive Director	Mr. SU Xijia	4/4	100%
Non-executive Director	Mr. AN Hongjun	4/4	100%

THE AUDIT COMMITTEE

The Audit Committee of the Company is responsible for communicating with management and internal and external auditor, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. During the Period under Review and up to the date of this report, the members of the Audit Committee are Mr. SU Xijia (independent non-executive Director), Mr. YANG Lin (non-executive Director) and Mr. GAO Shibin (independent non-executive Director). The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial backgrounds, which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues in respect of resignation or dismissal of the auditor;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditor before auditing, and to review and examine whether the external auditors are independent and objective and whether the audit procedures are effective according to applicable standards;

- to develop and implement policies on the engagement of external auditor for non-audit services, and report and make recommendations to the Board with respect to any actions to be taken or areas of improvement;

- to monitor integrity of the Company's financial statements, reports and accounts, interim reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained therein, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the person in charge of accounting and finance work, compliance officer or auditor of the Company as appropriate;

- to review the financial control of the Company and review the risk management and internal control system of the Company, to discuss the risk management and internal control system with the management to ensure that the management has performed its duties in establishing an effective system, and to examine the material investigation findings and management's responses in respect of risk management and internal control matters;

- to ensure coordination between internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Company's financial and accounting policies and practices, to review the external auditor's management letter, to timely respond to any queries raised by the management and the Board, and to report to the Board as necessary;

- to establish a system for direct reporting by employees of the Company, to conduct investigations on any abnormalities of the Company in the manner as it considers necessary and appropriate, and to report to the Board as necessary. The committee shall also have the right to direct the Company to make proper arrangements for such issues, including conducting fair and independent investigations and taking appropriate actions; and

- to act as the key representative body for overseeing the Company's relation with the external auditor.

In 2018, financial reporting and control reviews undertaken by the Audit Committee included the following:

- reviewed the integrity and accuracy of the 2017 annual report, the 2018 interim report and formal announcements relating to the Group's financial performance;

- reviewed the 2018 work report and 2019 work plans for internal audit and internal control of the Company, confirmed the effectiveness of the internal audit and internal control functions, focused on the development of the internal audit and internal control system, and carried out profound communication and discussion on team building and cultural publicity and propaganda;

- listened to the report on the distribution of interim dividend by the Company for the first time and the tightening of funds in the real estate industry; and

- reviewed the annual pre-audit results, profit forecast, audit strategies and significant issues for 2018.

The Audit Committee held three meetings in 2018. Resolution participation of each member is set out below:

Position	Name	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. SU Xijia	3/3	100%
Non-executive Director	Mr. YANG Lin	3/3	100%
Independent non-executive Director	Mr. GAO Shibin	3/3	100%

The deputy chief financial officer, the qualified accountant and the auditor of the Company attended all these meetings including the three meetings which reviewed the integrity and accuracy of the Company's 2017 annual report, 2018 interim report and formal announcements relating to the Group's financial performance.

INDEPENDENT BOARD COMMITTEE

During the Period under Review and up to the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. GAO Shibin. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether to exercise the independent options granted by Sinochem Group Co., Ltd. to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any business in connection with the Non-competition Undertaking or any redevelopment business in relation to the properties held by Sinochem Group Co., Ltd., and any new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Group Co., Ltd. in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

– for the connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin-off listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee entered into three written resolutions in 2018. It considered the independent option over Shimao Investment as granted by Sinochem Group Co., Ltd. to the Company, and resolved not to exercise the option over Shimao Investment for the time being and to make relevant disclosure in the 2017 annual report and 2018 interim report; confirmed various continuing connected transactions of the Company for 2017; considered one new business opportunity notified by Sinochem Group Co., Ltd. to the Company. Resolution participation of each member is set out below:

Position	Name	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	3/3	100%
Independent non-executive Director	Mr. SU Xijia	3/3	100%
Independent non-executive Director	Mr. GAO Shibin	3/3	100%

STRATEGY AND INVESTMENT COMMITTEE

During the Period under Review and up to the date of this report, the members of the Strategy and Investment Committee of the Company are executive Directors Mr. LI Congrui, Mr. JIANG Nan, Mr. SONG Liuyi and Independent non-executive Director Mr. GAO Shibin. The chairman of the Strategy and Investment Committee is Mr. LI Congrui.

The functions of the Strategy and Investment Committee include:

– to study and formulate the Company's growth strategies, and supervise and monitor the management's execution of the Company's growth strategies;

– to review the new project investment proposals submitted by the management according to the Company's growth strategies; and

– to review the proposals on the establishment of departments in the headquarters submitted by the management.

The Strategy and Investment Committee held 23 meetings and entered into 85 written resolutions in 2018. It considered and approved more than 280 issues, including a number of industry-city integration projects, the feasibility study reports on the tender for lands, cooperation with funds, equity acquisitions and provision of financial assistances, etc. Resolution participation of each member is set out below:

Position	Name	Total number of resolutions	Resolution participation rate
Executive Director	Mr. LI Congrui	108/108	100%
Executive Director	Mr. JIANG Nan	108/108	100%
Executive Director	Mr. SONG Liuyi	108/108	100%
Independent non-executive Director	Mr. GAO Shibin	108/108	100%

EXTERNAL AUDITOR

In 2018, the remuneration paid or payable to the Company's auditor, Ernst & Young, for the statutory audit and non-audit services amounted to approximately HK$10,888,000 and HK$5,052,000, respectively, including services provided to Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited. The non-audit services provided by Ernst & Young to the Group were in relation to the review services on the interim results, limited assurance services on continuing connected transactions and other professional services.

INTERNAL CONTROL

The Board takes responsibilities for the risk management and internal control systems and is responsible for reviewing the effectiveness of such systems. In 2018, the Directors and the Audit Committee respectively listened to the special reporting on the Company's internal and external audit and the internal control work summary report, evaluated the effectiveness of the Company's risk management, operations and compliance management, financial management and internal control systems, communicated directly with the personnel from the finance department, internal audit department, legal and compliance department and strategic operations department, and made specific guiding opinions and requirements.

The Company has in place comprehensive internal audit functions and, through its internal control department, conducts regular audits, including annual routine audit, departure audit and special audit where the scope of audits covers all aspects including the execution of the Group's internal regulations and procedures, finance, cost, tender and procurement, project quality, strategic operations, marketing, design, customer service and HSE management to prevent assets from inappropriate use. The Company also maintains proper accounts and ensures that the regulations are complied with. In 2018, the internal audit department of the Company carried out 2 routine audits, 3 departure audits, 7 special audits and 18 training sessions. The above measures aim to manage but not eliminate the relevant risks and the above measures can only provide reasonable but not absolute assurance to the achievement of business objectives.

The Company has formulated a complete system concerning risk identification, assessment and management, and constantly made amendments and updates to the system. Various departments at the headquarters are responsible for executing the professional risk assessment, management and monitoring procedures, including 50 management standards, 190 management guidelines and 14 detailed rules in 14 categories on integrated management, human resources management, strategic operation and management, financial management, fund management, investment management, design and engineering management, cost, tender and procurement management, marketing management, customer relationship management, HSE management, audit and legal affairs management, listing compliance management and innovative development management, which comprehensively cover various risks associated with the property related business and development of the Company. In 2018, a total of 16,805 procedures were reviewed, managed and monitored by the headquarters of the Company and approved by executive Directors, all of which were completed via the electronic online approval system.

The Company has in place a regulated, sound and effective internal control system. The headquarters of the Company is responsible for making annual amendments to the organisational structure, accountability system and policies and procedures on rolling basis, and optimising the management hierarchy and approval procedures. At the same time, it endeavours to strengthen the IT system development, enhance the process monitoring and risk management in the course of business execution, and continuously improve the internal control system. In addition to regular internal audit and inspection of accountability system by the internal audit department of the headquarters to ensure that the internal control system of the Company is in smooth operation as a whole, all the companies under the Group also regularly implement self-examination of the internal control system as part of their routine internal control efforts. In addition, the routine control measures also include the following: i) professional committees comprising the senior management and the relevant persons-in-charge from the headquarters' functional departments are established by the Company to regularly review the management of internal controls of the Company, such as budget and assessment, operation, quality, safety, investment and innovation, and to report to the senior management, and to decide and account for the same. In 2018, the six professional committees of the Company convened 113 regular and ad hoc meetings to consider and approve the enhancement initiatives for the management of a number of professional line functions and the decisions on key achievements of projects; ii) evaluation of the Group's comprehensive operating results, strategic progress and performance is carried out by the strategic operations department of the headquarters on quarterly, semi-annual and annual basis, the reports of which are subject to review and approval by the management of the Company. The supervision list of key matters is distributed to the relevant subordinate units for implementation and rectification within the specified period. This forms an efficient internal control feedback mechanism for the Company. The internal control system of the Company fully covers the major matters of the Company's operations and high risk areas that draw close attention, such that any material risks and deficiencies can be evaluated, supplemented and rectified in a timely manner.

After careful evaluation, the Directors of the Company all consider that the Group's existing risk management and internal control system is effective and adequate.

INSIDE INFORMATION

The Company has taken prudent measures in handling inside information, for which the Company has formulated effective confidentiality systems and measures, including the formulation of the "Administrative Standards on Inside Information Disclosure of China Jinmao" (《中國金茂內幕消息披露管理標準》) to state the selection criteria for inside information, scope of informants of inside information and to identify the term of reference of the compliance, investor relations and media management functions. The administrative standards provide that inside information shall be kept strictly confidential prior to public disclosure, among which the personnel who have access to inside information must ensure confidentiality of the information, and should not, in any manner, divulge the information of the Company to external parties without authorisation. Besides, consultants and intermediaries engaged by the Company shall enter into strict confidentiality agreements with the Company to ensure the inside information is properly handled. At the same time, to ensure the inside information is disclosed in a timely and proper manner, any matters that constitute inside information must be first reviewed by the compliance officers and investor relations officers of the Company and obtain consent from the relevant executive Directors before due disclosure.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2018.

All employees of the Group shall comply with the "Administrative Rules for Securities Transactions by the Employees of China Jinmao" formulated by the Company with reference to the requirements set out in Appendix 10 of the Listing Rules in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

MOVING A RESOLUTION AT AN ANNUAL GENERAL MEETING

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), a shareholder may submit a written requisition to move a resolution at an annual general meeting if it has received requests that it do so from:

(a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or

(b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

A request -

(a) may be sent to the company in hard copy form or in electronic form;

(b) must identify the resolution of which notice is to be given;

(c) must be authenticated by the person or persons making it; and

(d) must be received by the company not later than -

    (i) six weeks before the annual general meeting to which the requests relate; or

    (ii) if later, the time at which notice is given of that meeting.

PROPOSING A CANDIDATE FOR ELECTION AS A DIRECTOR

Pursuant to Article 77(2)(b) in the Articles of Association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should give the Company Secretary a notice of his intention to propose a resolution for the appointment or reappointment of the person as the Director of the Company and a notice executed by that person of his willingness to be appointed or re-appointed, no earlier than the day after the despatch of the notice of the general meeting and no later than seven days prior to the date fixed for such general meeting.

CONVENING A GENERAL MEETING

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), a general meeting may be called upon if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

(a) A request -

    (i) must state the general nature of the business to be dealt with at the meeting;

    (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(b) Requests may consist of several documents in like form; and

(c) A request -

    (i) may be sent to the company in hard copy form or in electronic form; and

    (ii) must be authenticated by the person or persons making it.

SHAREHOLDERS' ENQUIRIES TO THE BOARD

Enquiries from shareholders for the Board may be directed to us by the means as stated in the section under "Corporate Information" in this report.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication methods, including general meetings, announcements and circulars to shareholders.

The Company held an annual general meeting on 6 June 2018, which reviewed and approved the audited financial statements, the reports of the Directors and the auditor's report for the year ended 31 December 2017; declared the final dividend for the year ended 31 December 2017; re-elected Mr. SONG Liuyi as a Director of the Company; authorised the Board of the Company to determine the remuneration of Directors of the Company; re-appointed Ernst & Young as the auditor of the Company and authorised the Board to determine their remuneration; and reviewed and approved the general mandate to issue shares and repurchase shares. Save for non-executive Directors Mr. NING Gaoning and Mr. YANG Lin who were unable to attend the meeting due to other business commitments, all of the remaining Directors attended the annual general meeting held on 6 June 2018.

The extraordinary general meeting of the Company was convened on 29 January 2019 to consider, approve and adopt a new share option scheme of the Company. Save for non-executive Directors Mr. NING Gaoning and Mr. AN Hongjun who were unable to attend the meeting due to other business commitments, all of the remaining Directors attended the extraordinary general meeting held on 29 January 2019.

The Board presents its report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are focusing on city and property development, finance and services, commercial leasing, retail operations and hotel operations. Details of the subsidiaries of the Company are set out in note 1 to the financial statements.

BUSINESS REVIEW

For details of the future business development, business operations and major risks faced by the Company during the Reporting Period, please refer to the section headed "Chairman's Statement" from pages 8 to 11, and the section headed "Management Discussion and Analysis" from pages 14 to 106 in this report.

For details of the environmental policies and performance of the Company during the Reporting Period, please refer to the "Green Strategy" in the section headed "Management Discussion and Analysis" from pages 94 to 98 and the "Contributing a Culture of Green for our Environment" in the section headed "Corporate Social Responsibilities" from pages 111 to 113 in this report.

For details of the material relationship between the Company and its employees, customers, suppliers and other persons of significant influence to the Company during the Reporting Period, please refer to the section headed "Corporate Social Responsibilities " from pages 110 to 115 in this report.

The above discussion forms part of the Report of the Directors.

Taking into account the laws, regulations, policies and documents that have a material impact on the business of the Company, including but not limited to the "Land Administration Law of the People's Republic of China", the "Urban Real Estate Administration Law of the People's Republic of China", the "Bidding Law of the People's Republic of China", the "Measures on the Administration of Sale of Commodity Houses", the "Company Law of the People's Republic of China" and foreign-invested related laws and regulations, as well as the documents issued by relevant government authorities from time to time including the State Administration of Foreign Exchange, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, the China Securities Regulatory Commission and the People's Bank of China (the "PBOC"), the Company confirmed that, during the Reporting Period, there were no circumstances of administrative punishments or inspections by relevant government authorities as a result of violation of laws, regulations, policies and documents that have a material impact on the business of the Company, and the Company and its subsidiaries were in compliance with all applicable laws and regulations. The Company has formulated the comprehensive administration standards and approval procedures for legal affairs and continued to revise them for improvement. In 2018, the Group reviewed and approved a total of 16,635 contracts according to the standardised procedures via the network office automation platform with a rate of 100% of the contracts reviewed by legal specialists, and avoided contract default risks through ongoing supervision of contract execution. In addition, in 2018, the Company organised 110 legal trainings for employees, regularly published a total of 30 articles including legal news, latest laws and regulations and legal research reports on the column "Law-Ruling Jinmao" on the network office automation platform, summarised and analysed any risks involved in key aspects such as investment, marketing, tender and procurement, engineering, design, and customer service, and issued the manual for the prevention and control of legal risks in the real estate development sector, so as to ensure effective operation of the legal risk prevention and control system of the Company by making sure that the employees of the Company are aware of and comply with the relevant laws and regulations when discharging their duties.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 174 of this report.

The dividend distribution policy of the Company is to distribute dividend to its shareholders when the Group records profit for a financial period. The dividend to be distributed to shareholders will be determined based on the profit attributable to owners of the parent (net of fair value gains on investment properties (net of deferred tax)) for that period, multiplied by a dividend distribution ratio of around 40%. In determining the specific dividend distribution ratio, the Board will take into account the financial performance, cash flow and capital commitments etc. of the Group.

On 28 August 2018, the Board resolved to make payment of an interim dividend of HK12.0 cents per share to the shareholders of the Company. The interim dividend was paid on 31 October 2018.

The Board recommended the payment of a final dividend of HK10.0 cents per share for the year ended 31 December 2018. The proposed final dividend shall be subject to approval of shareholders at the forthcoming annual general meeting. Upon determining the date of the annual general meeting, the Company will issue a notice on the closure of register with respect to the annual general meeting and final dividend. The final dividend is expected to be paid by 31 August 2019. Details of the payment of the dividend will be set out in the notice convening the annual general meeting.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2018, the total issued share capital of the Company was 11,553,528,329 ordinary shares.

Details of movement in the Company's share capital and share options in 2018 are set out in notes 38 and 39 to the financial statements, respectively.

Share Placing

As stated in the announcements of the Company dated 15 January 2018 and 24 January 2018, on 13 January 2018, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), the Company, Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited entered into a placing agreement, pursuant to which, Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited have agreed to act as agents for Sinochem Hong Kong and to procure placees to purchase up to 900,124,000 shares beneficially owned by Sinochem Hong Kong at the placing price of HK$3.70 per share (where the closing price of the shares on the Hong Kong Stock Exchange was HK$3.97 per share as at the last trading day prior to entering into the placing agreement, i.e. 12 January 2018). Pursuant to the aforesaid placing, the Company and Sinochem Hong Kong also entered into a subscription agreement on the same day, pursuant to which, the Company has conditionally agreed to issue up to 900,124,000 subscription shares to Sinochem Hong Kong at the subscription price of HK$3.70 per share. On 17 January 2018, the aforesaid placing has been completed and a total of 900,124,000 shares have been successfully placed to 53 placees, who, together with their respectively ultimate beneficial owners, are independent third parties, at the price of HK$3.70 per share. On 24 January 2018, pursuant to the general mandate approved at the 2017 annual general meeting, the Company allotted and issued 900,124,000 subscription shares to Sinochem Hong Kong at HK$3.70 per share.

The gross proceeds from the aforesaid subscription amounted to approximately HK$3,330.5 million and the net proceeds after deducting relevant fees, costs and expenses, amounted to approximately HK$3,305.5 million. The net subscription price after deduction of the relevant fees, costs and expenses amounted to approximately HK$3.67 per subscription share. Upon completion of the aforesaid placing and subscription, the total issued share capital of the Company has increased from 10,675,826,949 shares to 11,575,950,949 shares. The purposes of such placing and subscription are to further enlarge the Company's shareholders' equity base, optimise the capital structure of the Company and support a healthy and sustainable development of the Company. As at the date of this report, approximately HK$1,179.5 million of the proceeds was exchanged to US$150 million to repay borrowings (which had been due and repaid on 28 March 2018), and the remaining amount of approximately HK$2,126 million was exchanged to RMB1,722 million and lent to Guangzhou Jinmao Properties Limited, a wholly-owned subsidiary of the Company, which had been used for lands acquisition, as well as project development and construction of the Group in China.

Share Buyback

As stated in the next day disclosure returns of the Company dated 26 June 2018, 27 June 2018, 12 July 2018, 13 July 2018, 16 July 2018, 17 July 2018, 19 July 2018, 20 July 2018, 27 July 2018, and 14 August 2018 respectively, the Company bought back on the Hong Kong Stock Exchange a total of 27,100,000 shares of the Company, representing approximately 0.2341% of the total number of issued shares, at a total consideration of HK$104,154,030 (excluding commission and other expenses). The Company believes that share buyback is in the best interests of the Company and the shareholders, and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per share. The Company cancelled the above shares on 27 July 2018 and 14 August 2018, respectively. After the cancellation of the aforesaid shares, the total number of issued shares of the Company decreased to 11,549,588,949 shares.

RESERVES

Movements in reserves of the Company and of the Group in 2018 are set out in note 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$1,787,774,000 (equivalent to RMB1,428,112,000), of which HK$1,155,353,000 (equivalent to RMB988,589,000) has been proposed as a final dividend for the Year. In addition, the Company's share capital in the amount of HK$6,109,789,000, being the amount of the share premium which has become part of the share capital pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2018 Percentage of total turnover (%)
Five largest customers	14%
The largest customer	4%

	Percentage of total purchase (%)
Five largest suppliers	8%
The largest supplier	3%

The above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors of the Company or any of their close associates or any shareholders who own more than 5% of the Company's shares had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2018 are set out in note 33 to the financial statements.

CHARITABLE DONATIONS

During the Year, the subsidiaries of the Company made charitable donations totalling RMB27,966,000 for the schooling education, public welfare activities and targeted poverty alleviation in several cities such as Quanzhou and Nanjing.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movement in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 13 and 17 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 308 of this report. The summary does not form part of the audited financial statements.

DIRECTORS OF THE LISTED COMPANY AND ITS SUBSIDIARIES

During the Year and up to the date of this report, the Directors of the Company include:

Non-executive Directors

Mr. NING Gaoning
Mr. YANG Lin
Mr. AN Hongjun

Executive Directors

Mr. LI Congrui
Mr. JIANG Nan
Mr. SONG Liuyi

Independent non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. GAO Shibin

During the Year and up to the date of this report, the list of directors of the Company's subsidiaries is published on the website of the Company at www.chinajinmao.cn.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2018, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

SENIOR MANAGEMENT

Biographical details of the current senior management of the Company are set out on pages 121 to 122 of this report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

For the year ended 31 December 2018, details of the remuneration of the Directors and senior management of the Company are set out in notes 8 and 48 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' (OR THEIR CONNECTED ENTITIES') INTEREST IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors (or their connected entities) was materially interested, directly or indirectly, in any transactions, arrangements or contracts of significance entered into by the Company or its controlling shareholder or any of their respective subsidiaries as at 31 December 2018 or at any time during the Year. The Company did not provide any loan to any of the Directors or the management personnel of the Company during the Year.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES

Save as disclosed in the section headed "Share Option Scheme" under the "Report of the Directors" in this report, no arrangements to which the Company or its controlling shareholder or any of their respective subsidiaries is a party, whose purposes are, or one of whose purposes is, to enable any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted as at 31 December 2018 or at any time during the Year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group Co., Ltd. or its subsidiaries and the Company or its subsidiaries are mainly agreements of connected transactions and continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group Co., Ltd. and the Company dated 26 July 2007, as detailed in sections headed "Connected Transactions", "Continuing Connected Transactions" and "Compliance with Non-Competition Agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group Co., Ltd. has provided a written confirmation stating that Sinochem Group Co., Ltd. and its subsidiaries (other than those which form part of the Group) complied with their obligations under the Non-competition Undertaking during 2018.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the section headed "Corporate Social Responsibilities" on pages 110 to 115 of this report.

RETIREMENT SCHEMES

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to pay retirement benefits under the Retirement Schemes to employees when they retire, and the Group is not required to provide other post-retirement benefits to the employees, except for the contributions made under the Retirement Schemes.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes by the Group for the year ended 31 December 2018 were RMB152,968,000.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2007 (the "2007 Scheme"), which has been expired on 21 November 2017. On 29 January 2019, the Company held an extraordinary general meeting, and approved and adopted a new share option scheme (the "New Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company.

According to the terms of the New Scheme, the Board shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company. Accordingly, the Company may issue up to 1,155,352,832 shares to the participants under the New Scheme, representing 9.99% of the issued share capital of the Company as at the date of this report.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the option.

More details of the 2007 Scheme and the New Scheme are set out in note 39 to the financial statements.

GRANT AND EXERCISE OF OPTIONS

On 5 May 2008, the Company granted 5,550,000 share options to eligible participants pursuant to the 2007 Scheme. 60% of these share options were lapsed as the performance review results for the year did not meet the target performance results; the remaining 40% of the share options were vested and the exercisable period was expired on 4 May 2015. On 28 November 2012, 58,267,500 share options were granted to eligible participants by the Company. 40% of these share options were lapsed as the performance review results for the year did not meet the target performance results; the remaining 60% of the share options are vested and the exercisable period shall expire on 27 November 2019.

On 17 October 2016, the Company granted 172,350,000 share options to eligible participants pursuant to the 2007 Scheme and the exercise price was HK$2.196 per share, being the average closing price per share as stated in the Hong Kong Stock Exchange's daily quotation sheet for the last five consecutive trading days prior to the date of grant. Such options shall vest after two years from the date of grant of the options at the earliest. The share options shall only vest if the pre-set performance targets of the Group, the division of the grantee and the grantees are achieved. Otherwise, the share options shall lapse.

On 6 September 2018, the Remuneration and Nomination Committee of the Board of the Company approved the release of lock-up restrictions on the grantees who fulfil the conditions on a pro rata basis of up to 30% of the share options granted by the Company on 17 October 2016 (where the percentage may decrease on a pro rata basis depending on the rating of the individual performance assessment of the grantees) according to the 2007 Scheme (the amendment to which was approved by the Board on 23 August 2012), results of performance assessment of the grantees and the "Explanation on the Fulfilment of Conditions of the First Batch of Share Options Granted by China Jinmao (2016) for the Third Time (based on the 2017 performance)" provided by the independent professional advisor.

On 8 February 2019, the Company granted 265,950,000 share options to eligible participants pursuant to the New Scheme and the exercise price was HK$3.99 per share, being the closing price per share on the Hong Kong Stock Exchange on the date of grant. Such options shall vest after two years from the date of grant of the options at the earliest, and the exercise period shall not exceed seven years from the date of grant. The share options shall only vest if the pre-set performance targets of the Group, of the division to which the grantee is a member and of the individual grantee are all achieved. Otherwise, the share options shall lapse.

The following share options were outstanding under the 2007 Scheme during the year ended 31 December 2018:

Name or category of grantees	As at 1 January 2018	Number of share options				As at 31 December 2018	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options (HK$)	Closing price of the shares of the Company immediately preceding the grant date (HK$)
		Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
Directors										
Mr. LI Congrui	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Mr. JIANG Nan	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to to 16 October 2023	2.196	2.15
Mr. SONG Liuyi	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Sub total	1,740,000	–	–	–	–	1,740,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	4,500,000	–	–	–	–	4,500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
Employees in aggregate	2,704,240	–	(824,440)	–	–	1,879,800	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	3,573,640	–	(779,540)	–	–	2,794,100	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	47,592,000	–	(3,423,000)	–	(4,260,000)	39,909,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	47,592,000	–	–	–	(3,964,000)	43,628,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	47,896,000	–	–	–	(3,992,000)	43,904,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Total	8,017,880	–	(1,603,980)	–	–	6,413,900	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	147,580,000	–	(3,423,000)	–	(12,216,000)	131,941,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15

DIRECTORS AND CHIEF EXECUTIVES' INTEREST IN SHARES OR UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as at 31 December 2018, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(a) Interest in the shares or underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held(Note)	Approximate percentage of the issued share capital
Mr. LI Congrui	Beneficial owner	11,863,785(L)	2,370,000(L)	0.123%
Mr. JIANG Nan	Beneficial owner	9,753,107(L)	2,370,000(L)	0.105%
Mr. SONG Liuyi	Beneficial owner	8,948,606(L)	1,500,000(L)	0.090%

(L) Denotes long positions

Note: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

(b) Interest in the shares or underlying shares of the associated corporations of the Company

Name	Capacity	Name of the associated corporation	Number of share stapled units held	Approximate percentage of the issued share stapled units
Mr. LI Congrui	Beneficial owner	Jinmao Hotel and Jinmao (China) Hotel Investments and Management LimitedNote 1	350,000(L)	0.018%Note 2
Mr. JIANG Nan	Beneficial owner	Jinmao Hotel and Jinmao (China) Hotel Investments and Management LimitedNote 1	484,500(L)	0.024%Note 2

(L) Denotes long positions

Note 1: As at 31 December 2018, the Company was interested in approximately 66.77% equity interest in the share stapled units issued by Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited. As a result, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited is an associated corporation of the Company

Note 2: The percentage is calculated based on the total number of issued share stapled units of 2,000,000,000 share stapled units of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited as at 31 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors of the Company, as at 31 December 2018, the following persons (other than the Directors or chief executives of the Company) had interest and short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange:

Name of the substantial shareholder	Nature	Capacity/nature of Interest	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong (Group) Company Limited	Long position	Beneficial owner	5,759,881,259	49.85%
Sinochem Corporation	Long position	Interest of controlled corporation(Note 1)	5,759,881,259	49.85%
Sinochem Group Co., Ltd.	Long position	Interest of controlled corporation(Note 1)	5,759,881,259	49.85%
New China Life Insurance Company Ltd.	Long position	Beneficial owner	1,117,962,000	9.68%
Citigroup Inc.	Long position	Interest of controlled corporation(Note 2)	12,972,700	0.11%
	Short position	Interest of controlled corporation(Note 2)	10,684,558	0.09%
	Long position/ lending pool	Approved lending agent	567,171,213	4.91%

Note 1: Sinochem Group Co., Ltd. holds 98% equity interests in Sinochem Corporation, which in turn holds the entire equity interest in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group Co., Ltd. and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Note 2: Citigroup Inc. is deemed to have interests in the shares of the Company held by Citibank, N.A., Citigroup Global Markets Inc. and Citigroup Global Markets Limited, and such companies are subsidiaries controlled or indirectly controlled by Citigroup Inc. Of the shares (both long position and short position) deemed to be held by Citigroup Inc., 6,454,000 shares (long position) and 54,000 shares (short position) are unlisted derivatives -cash settled.

Save as disclosed above, as at 31 December 2018, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) who had interest or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Continuing connected transactions exempt from the independent shareholders' approval requirement:

1 Framework lease agreement between China Jin Mao Group Co., Ltd. ("Jin Mao Group") and Sinochem Group Co., Ltd.;

2 Framework lease agreement between the Company and Sinochem Group Co., Ltd.;

3 Entrustment loan framework agreement between Franshion Properties (Hangzhou) Limited ("Hangzhou Properties"), Sky Power Properties Limited ("Sky Power Properties") and Sinochem Lantian Co., Ltd. ("Sinochem Lantian");

4 Entrustment loan framework agreement between Jinmao Investment (Changsha) Co., Ltd. ("Jinmao Changsha"), Shanghai Jinmao Economic Development Co., Ltd. ("Jinmao Development") and Changsha CSC Investment Co., Ltd. ("CSC Changsha");

5 Entrustment loan framework agreement between Changsha Meixi Lake Jin Yue Properties Limited ("Jin Yue Properties"), Changsha Jinmao Real Estate Co., Ltd. ("Changsha Jinmao") and Meixi Lake Investment (Changsha) Co., Ltd. ("Meixi Lake Investment");

6 Factoring service framework agreement between the Company and Sinochem Commercial Factoring Co., Ltd. ("Sinochem Factoring");

II. Continuing connected transactions approved by independent shareholders:

7 Renewed framework financial service agreement between the Company and Sinochem Finance Co., Ltd. ("Sinochem Finance").

For these continuing connected transactions, the Company confirms that it had complied with the requirements under Chapter 14A of the Listing Rules. During the Year, when conducting these continuing connected transactions, the Company had complied with the pricing policies and guidelines formulated when such transactions were entered into. Set out below is a summary of all these transactions:

I. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1 Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd.

On 7 December 2016, Jin Mao Group entered into a framework lease agreement with Sinochem Group Co., Ltd. with respect to the lease of the relevant units in Jin Mao Tower (the "2016 Jin Mao Framework Lease Agreement"). The 2016 Jin Mao Framework Lease Agreement, which took effect on 1 January 2017, is valid for a period of two years. For the two years ended 31 December 2018, the annual transaction caps (including rent, property management fee and other charges) were RMB59.7 million and RMB64.1 million respectively.

On 21 December 2018, Jin Mao Group entered into a renewed framework lease agreement with Sinochem Group Co., Ltd. with respect to the lease of the relevant units in Jin Mao Tower (the "2018 Jin Mao Framework Lease Agreement"). The 2018 Jin Mao Framework Lease Agreement, which took effect on 1 January 2019, is valid for a period of three years. For the three years ending 31 December 2021, the annual transaction caps (including rent, property management fee and other charges) are RMB61.11 million, RMB85.46 million and RMB103.14 million respectively.

Jin Mao Group is a non wholly-owned subsidiary of the Company. Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the 2016 Jin Mao Framework Lease Agreement, the 2018 Jin Mao Framework Lease Agreement and the transactions contemplated under the specific lease contracts constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

Please refer to the sub-section under "Framework lease agreement between the Company and Sinochem Group Co., Ltd." below for further details.

2 Framework lease agreement between the Company and Sinochem Group Co., Ltd.

The Company and Sinochem Group Co., Ltd. entered into two framework lease agreements for lease of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower and Jin Mao Tower on 31 December 2008 and 31 July 2009, respectively (the "Original Framework Lease Agreements"). In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower between the Company (and its subsidiaries) and Sinochem Group Co., Ltd. (and its associates), the Company entered into with Sinochem Group Co., Ltd. a comprehensive framework lease agreement (the "New Framework Lease Agreement") on 11 November 2011 in place of the two Original Framework Lease Agreements. The New Framework Lease Agreement was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2011. The New Framework Lease Agreement is valid for a term of 10 years commencing from 1 January 2012. Pursuant to the New Framework Lease Agreement:

(1) The two Original Framework Lease Agreements shall be terminated on 31 December 2011 and the New Framework Lease Agreement shall take effect on 1 January 2012.

(2) Pursuant to the two Original Framework Lease Agreements, all the existing specific lease agreements in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China and the relevant units in Jin Mao Tower in Shanghai, China entered into between the Company (and its subsidiaries) and Sinochem Group Co., Ltd. (and its associates) respectively shall be included in and regulated by the New Framework Lease Agreement upon the termination of the Original Framework Lease Agreements.

(3) The rent under the New Framework Lease Agreement shall be determined based on the relevant specific lease agreements, which includes the property management fee of the relevant units and various miscellaneous expenses actually incurred, including but not limited to car park rental, car park management fee, car parking fee, water charge, electricity charge, gas charge, phone bill and overtime air-conditioning charge, maintenance fee and catering fee (if applicable). The rent shall be paid by lessees in accordance with the provisions of the specific lease agreements.

(4) On 7 December 2016, taking into consideration the estimated transaction amount under the 2016 Jin Mao Framework Lease Agreement (please refer to the section headed "Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd." above for details), the annual caps (including rent, property management fee and other charges) prescribed by the Company for the two years ended 31 December 2018 with respect to the leased properties under the New Framework Lease Agreement were RMB406.51 million and RMB448.37 million, respectively.

(5) Given that the annual caps under the New Framework Lease Agreement were expired on 31 December 2018, on 21 December 2018, taking into consideration the estimated transaction amount under the 2018 Jin Mao Framework Lease Agreement (please refer to the section headed "Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd." above for details), the annual caps (including rent, property management fee and other charges) prescribed by the Company for the three years ending 31 December 2021 with respect to the leased properties under the New Framework Lease Agreement would be RMB481.66 million, RMB526.85 million and RMB597.58 million, respectively.

In 2018, details of the New Framework Lease Agreement and the transactions contemplated under the specific lease contracts are as follows:

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2018
1. Two subsidiaries of Sinochem Group Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group		RMB	19,159,794
1A Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2017 to 2020	RMB	10,957,341
1B China Foreign Economy and Trade Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2017 to 2020	RMB	8,202,453
2. Sinochem Group Co., Ltd. and its 19 subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group		RMB	246,929,507
2A Sinochem Group Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	7,910,496
2B Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	80,208,926
2C Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	25,657,368
2D Sinochem Oil Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	19,319,296
2E Sinochem International Industrial Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	3,525,015
2F Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	9,473,152
2G China Foreign Economy and Trade Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	32,004,146
2H Sinochem Finance Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	17,224,002
2I New XCL (China) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	391,028

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2018
2J Sinochem Insurance Brokers (Beijing) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	3,491,915
2K Sinochem Agriculture Holdings Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	3,988,117
2L Sinochem Petroleum Sales Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	14,153,548
2M China National Seed Group Corp.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	2,449,845
2N Sinochem Juyuan Enterprises Management (Beijing) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	4,914,994
2O Sinochem Information and Technology Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	5,385,528
2P Sinochem Capital Investment Management Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	2,716,014
2Q Sinochem Capital Co., Ltd. Beijing Branch	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	6,166,189
2R Sinochem Energy Corporation Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	7,850,804
2S Sinochem Commercial Factoring Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	41,290
2T Sinochem Energy and Technology Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2018 to 2020	RMB	57,834

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2018
3. 16 subsidiaries of Sinochem Group Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group		RMB	72,358,249
3A Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	19,193,924
3B Sinochem Commerce Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	11,155,974
3C Sinochem Plastics Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	10,703,828
3D China National Seed Group Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	2,895,645
3E Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2006 to 2019	RMB	5,950,303
3F Sinochem Energy-Saving and Environmental Protection Holdings (Beijing) Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2013 to 2019	RMB	2,870,438
3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	3,914,369
3H China Foreign Economy and Trade Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2019	RMB	6,609,203
3I Sinochem Asset Management Co. Ltd.	Lease of relevant units in Sinochem Tower from the Group	2013 to 2019	RMB	3,503,671

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2018
3J Sinochem Petrochemical Sales Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2018	RMB	464,036
3K Sinochem Agriculture Holdings Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2020	RMB	3,257,050
3L Sinochem Information and Technology Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2020	RMB	1,600,175
3M Sinochem Oil Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2018 to 2020	RMB	25,143
3N Beijing Sinochem Jinqiao Trade Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2018 to 2020	RMB	173,486
3O Sinochem Juyuan Enterprises Management (Beijing) Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2018 to 2020	RMB	15,677
3P Sinochem Energy and Technology Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2018 to 2020	RMB	25,327
Total			RMB	338,447,550

Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the New Framework Lease Agreement and the transactions contemplated under the specific lease contracts constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

3 Entrustment loan framework agreement between Hangzhou Properties, Sky Power Properties and Sinochem Lantian

On 26 February 2016, Hangzhou Properties entered into a framework agreement with its shareholders, namely Sky Power Properties and Sinochem Lantian (the "2016 Hangzhou Framework Agreement"), pursuant to which Hangzhou Properties agreed to provide entrustment loans to Sky Power Properties and Sinochem Lantian (or their respective designated loan receiving entities) based on the same terms and conditions and in proportion to their respective shareholdings in Hangzhou Properties. During the 3-year term of the 2016 Hangzhou Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Hangzhou Properties to Sinochem Lantian (or its designated loan receiving entity) will be RMB700 million. On 31 August 2018, Hangzhou Properties further entered into a new framework agreement with Sky Power Properties and Sinochem Lantian (the "2018 Hangzhou Framework Agreement"), pursuant to which Hangzhou Properties shall continue to provide loans to Sky Power Properties and Sinochem Lantian (or their respective designated loan receiving entities) during the term of the 2018 Hangzhou Framework Agreement. Under the 2018 Hangzhou Framework Agreement, the actual interest rate of each of the loans shall be determined by reference to the same term RMB benchmark loan interest rate for financial institutions published by the PBOC from time to time, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into specific loan agreements separately according to the terms and conditions set out in the 2018 Hangzhou Framework Agreement. The 2018 Hangzhou Framework Agreement shall be valid for three years from 31 August 2018 and replace the 2016 Hangzhou Framework Agreement from its effective date. During the term of the 2018 Hangzhou Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Hangzhou Properties to Sinochem Lantian (or its designated loan receiving entity) will be RMB295 million. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

Hangzhou Properties is an indirect non wholly-owned subsidiary of the Company. Sinochem Lantian is owned as to approximately 51% by Sinochem Group Co., Ltd., which is the ultimate holding company of the Company. Accordingly, it is a connected person of the Company. As such, the transaction in relation to the provision of loans by Hangzhou Properties to Sinochem Lantian (or its designated loan receiving entity) constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

4 Entrustment loan framework agreement between Jinmao Changsha, Jinmao Development and CSC Changsha

On 25 June 2014, Jinmao Changsha entered into a framework agreement with its shareholders, namely Jinmao Development and CSC Changsha (the "Original Changsha Framework Agreement"), pursuant to which Jinmao Changsha agreed to provide entrustment loans to Jinmao Development (or its designated non-connected subsidiaries of the Company) and CSC Changsha (or any one of its designated shareholders) based on the same terms and conditions and in proportion to their respective shareholdings in Jinmao Changsha. During the term of the Original Changsha Framework Agreement, the maximum daily balance (including accrued interest) provided by Jinmao Changsha to CSC Changsha (including any one of its designated shareholders) was RMB1,200 million. The Original Changsha Framework Agreement was expired on 24 June 2017. On 5 June 2017, Jinmao Changsha entered into a new framework agreement with Jinmao Development and CSC Changsha (the "New Changsha Framework Agreement"), pursuant to which Jinmao Changsha shall continue to provide entrustment loans to Jinmao Development (or its designated non-connected subsidiaries of the Company) and CSC Changsha (or any one of its designated shareholders) during the term of the New Changsha Framework Agreement. Under the New Changsha Framework Agreement, the actual interest rate of each of the loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the New Changsha Framework Agreement. The New Changsha Framework Agreement shall be valid for three years with effect from 25 June 2017. During the term of the New Changsha Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) will be RMB1,000 million. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

Jinmao Development is a wholly-owned subsidiary of the Company. Jinmao Changsha, owned as to 80% and 20% respectively by Jinmao Development and CSC Changsha, is a non wholly-owned subsidiary of the Company. CSC Changsha is the substantial shareholder of Jinmao Changsha and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

5 **Entrustment loan framework agreement between Jin Yue Properties, Changsha Jinmao and Meixi Lake Investment**

On 14 December 2017, Jin Yue Properties entered into a framework agreement with its shareholders, namely Changsha Jinmao and Meixi Lake Investment (the "Jin Yue Framework Agreement"), pursuant to which Jin Yue Properties agreed to provide entrustment loans to Changsha Jinmao (or its designated non-connected subsidiaries of the Company) and Meixi Lake Investment (or any one of its designated shareholders) based on the same terms and conditions and in proportion to their respective shareholdings in Jin Yue Properties. Under the Jin Yue Framework Agreement, the actual interest rate of each of the loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the Jin Yue Framework Agreement. The Jin Yue Framework Agreement shall be valid for three years. During the term of the Jin Yue Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Jin Yue Properties to Meixi Lake Investment (or any one of its designated shareholders) will be RMB500 million. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

Changsha Jinmao is an indirect wholly-owned subsidiary of the Company. Jin Yue Properties, owned as to 70% and 30% respectively by Changsha Jinmao and Meixi Lake Investment, is an indirect non wholly-owned subsidiary of the Company. Meixi Lake Investment is the substantial shareholder of Jin Yue Properties and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by Jin Yue Properties to Meixi Lake Investment (or any one of its designated shareholders) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

6 **Factoring service framework agreement between the Company and Sinochem Factoring**

On 28 March 2018, the Company and Sinochem Factoring entered into a framework agreement, pursuant to which the Group will utilize the financing factoring services and non-financial factoring services available from Sinochem Factoring from time to time as it deems necessary for a term of three years. Under the framework agreement, the interests and fees payable by the Group to Sinochem Factoring under the framework agreement shall not be higher than the interests and fees charged by independent factoring companies in the PRC in providing the same type of factoring services under the same conditions. During the term of the factoring framework agreement, the daily maximum balance (including the amount of accounts receivables and accrued interests) in respect of the financing factoring services to be provided by Sinochem Factoring to the Group will be RMB2,000 million, and the annual cap for the fees of the non-financing factoring services to be provided by Sinochem Factoring to the Group will be RMB40 million. For the year ended 31 December 2018, the transaction amount did not exceed the aforesaid two caps.

Sinochem Factoring is an indirect non-wholly-owned subsidiary of Sinochem Group Co., Ltd., which is the ultimate controlling shareholder of the Company. Accordingly, Sinochem Factoring is a connected person of the Company. The transactions under the factoring framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS APPROVED BY INDEPENDENT SHAREHOLDERS

7 Renewed framework financial service agreement between the Company and Sinochem Finance

On 3 November 2014, the Company and Sinochem Finance entered into a framework financial service agreement (the "Framework Financial Service Agreement"), pursuant to which the Company and its subsidiaries, as they considers necessary, use the financial services provided by Sinochem Finance on a non-exclusive basis, including deposit and loan services, entrustment loans, settlement services, guarantee services, internet banking services and any other financial services as approved by the China Banking Regulatory Commission, and pay the relevant interests and service fees to or receive deposit interest from Sinochem Finance. The relevant fees and loan interest shall be determined at a rate no higher than the standards as set by the PBOC from time to time or market price, and the deposit interest shall be determined at a rate no lower than the benchmark interest rate as promulgated by the PBOC from time to time or market price. The settlement services are provided free of charge. During the valid term of the Framework Financial Service Agreement, the cap on the maximum daily balance for deposits of the Group at Sinochem Finance was RMB2,800 million. The deposit service under the Framework Financial Service Agreement (including the maximum daily balance) was considered and approved at the extraordinary general meeting of the Company held on 5 December 2014. The Framework Financial Service Agreement was expired on 3 December 2017.

On 2 November 2017, the Company and Sinochem Finance entered into the renewed framework financial service agreement (the "Renewed Framework Financial Service Agreement"), pursuant to which the Company and its subsidiaries will, as they consider necessary, continue to use the financial services provided by Sinochem Finance on a non-exclusive basis for a term of three years. The terms of the Renewed Framework Financial Service Agreement are substantially the same as those of the Framework Financial Service Agreement. During the valid term of the Renewed Framework Financial Service Agreement, the cap on the maximum daily balance for deposits of the Group at Sinochem Finance shall be RMB6,000 million. The deposit service under the Renewed Framework Financial Service Agreement (including the maximum daily balance) was considered and approved at the extraordinary general meeting of the Company held on 8 December 2017.

Sinochem Finance is an indirect subsidiary of Sinochem Group Co., Ltd., the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. The provision of financial services to the Company by Sinochem Finance constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2018, the transaction amount did not exceed the annual cap.

CONNECTED TRANSACTIONS

During the Period under Review and up to the date of this report, the one-time connected transactions of the Company include:

1. Acquisition of the equity interest in Shanghai Yin Hui and SISSC

As stated in the announcements of the Company dated 20 October 2017, 13 December 2017 and 12 January 2018 and the circular of the Company dated 15 February 2018, on 13 December 2017, SIPG has made a formal disclosure on the Shanghai United Assets and Equity Exchange with respect to its proposed disposal of the 50% equity interest in each of Shanghai Yin Hui and SISSC. Changsha Rongmao Enterprise Management Co., Ltd. ("Changsha Rongmao"), a wholly-owned subsidiary of the Company, won the bid for the 50% equity interest in each of Shanghai Yin Hui and SISSC at a consideration of RMB2,857,681,300 in aggregate through the listing-for-sale process organised by the Assets and Equity Exchange. On 12 January 2018, Changsha Rongmao and SIPG entered into the equity transfer agreement in relation to Changsha Rongmao's acquisition of the 50% equity interest in each of Shanghai Yin Hui and SISSC from SIPG. Prior to the completion of the aforesaid acquisition, Shanghai Yin Hui and SISSC (being non wholly-owned subsidiaries of the Company) are held as to 50% equity interest respectively by the Company and SIPG. Upon completion of the acquisition, the Group will hold 100% equity interest in each of Shanghai Yin Hui and SISSC.

Prior to the completion of the acquisition, Shanghai Yin Hui and SISSC are non wholly-owned subsidiaries of the Company. SIPG is a substantial shareholder of Shanghai Yin Hui and SISSC and is therefore a connected person of the Company at the subsidiary level. Accordingly, the acquisition above constitutes a connected transaction between the Group and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the acquisition, and (ii) the independent non-executive Directors have confirmed that the terms of the acquisition are fair and reasonable, and the acquisition is on normal or more favourable commercial terms and in the interests of the Company and its shareholders as a whole, the acquisition above is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the acquisition above on an aggregated basis are more than 25% but less than 100%, the acquisition shall also constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has obtained a written approval in respect of the acquisition from Sinochem Hong Kong, the immediate controlling shareholder of the Company. The acquisitions of equity interest in Shanghai Yin Hui and SISSC described above were completed on 11 June 2018 and 15 June 2018, respectively.

2. **Formation of partnership by Jinmao Tianjin with Jiaxing Investment and Sinochem Capital**

On 18 March 2019, Jinmao Investment Management (Tianjin) Co., Ltd. ("Jinmao Tianjin"), a wholly-owned subsidiary of the Company, entered into a partnership agreement with Jinmao (Jiaxing) Investment Management Co., Ltd. ("Jiaxing Investment") and Sinochem Capital Investment Management Co., Ltd. ("Sinochem Capital Investment") for the formation of the partnership. The total subscribed capital contribution from all the partners of the partnership shall be RMB2,002 million, of which Jiaxing Investment (as the general partner) shall subscribe for an amount of RMB1 million, Jinmao Tianjin (as a limited partner) shall subscribe for an amount of RMB1,000 million, and Sinochem Capital Investment (as a limited partner) shall subscribe for an amount of RMB1,001 million. The partnership is mainly engaged in private equity investment in real estate sector, focusing on projects controlled and operated by China Jinmao or projects using the brand of China Jinmao.

Jinmao Tianjin is a wholly-owned subsidiary of the Company. As Sinochem Capital Investment is a subsidiary of Sinochem Group Co., Ltd., which is the ultimate controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios of the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the Independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2018 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the above continuing connected transactions of the Company in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board of Directors of the Company;
- for the connected transactions involving the provision of goods or services by the Group have not been entered into in accordance with the pricing policies of the Group in all material aspects;
- have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and
- have exceeded the relevant caps for the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the "Share Capital and Share Options" and the "Issuance of Notes" below under the section headed "Report of the Directors" in this report, during the Period under Review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ISSUANCE OF NOTES

1 Issue of RMB denominated senior guaranteed notes

As stated in the announcements of the Company dated 1 March 2018 and 8 March 2018, on 1 March 2018, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Standard Chartered Bank as the initial purchaser in respect of the subscription and sale of the 5.20% senior guaranteed notes with the principal amount of RMB1,250,000,000. These notes are guaranteed by the Company and the issuance was completed on 8 March 2018. The net proceeds from the issuance of these notes (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchaser) amounted to approximately RMB1,243.6 million. As at the date of this report, all of the proceeds from the issuance of these notes had been used for the repayment of the borrowings. These notes were listed and traded on the Hong Kong Stock Exchange from 9 March 2018. Up to the date of this report, the Group did not redeem or cancel any of these notes.

2 Issue of the second batch of the first tranche of domestic unsecured medium-term notes

As stated in the announcements of the Company dated 15 December 2016, 6 April 2017, 13 April 2017, 9 April 2018 and 12 April 2018, the Company (as the issuer) completed the issue of the second batch of the first tranche of medium-term notes with the principal amount of RMB3,000,000,000 to qualified investors on 12 April 2018. The notes are unsecured and have a term of 3 years with a final coupon rate of 4.99%. Approximately RMB2,100 million of the proceeds from the issuance of these notes will be used for project development and construction, and approximately RMB900 million will be used for replenishment of working capital of the Group. As at the date of this report, the Group had not yet confirmed the schedule of injecting funds for the aforesaid development and construction. The Group will withdraw such proceeds in due course according to the project development progress. Up to the date of this report, the Group did not redeem or cancel any of such notes.

3 Redeem of senior guaranteed notes and issue of senior guaranteed perpetual capital securities

As stated in the announcements of the Company dated 30 November 2018, 4 December 2018, and 2 January 2019, Franshion Brilliant Limited (as the issuer) issued a notice on 29 November 2018 informing the holders of the notes of its intention to redeem, pursuant to the indenture executed in 2014, all of the US$500,000,000 5.75% guaranteed senior notes due 2019 (which were listed on the Hong Kong Stock Exchange) issued by it at the redemption price. On 31 December 2018, Franshion Brilliant Limited has completed the redemption of all such notes and the settlement in respect thereof.

On 29 November 2018, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Goldman Sachs (Asia) L.L.C. as initial purchaser in respect of the subscription and sale of the US$300,000,000 senior guaranteed perpetual capital securities with an initial distribution rate of 6.90% per annum. These securities are guaranteed by the Company and the issuance was completed on 4 December 2018. The net proceeds from the issuance of these securities (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchasers) amounted to approximately US$299.6 million. As at the date of this report, all of the proceeds have been used for the refinancing of existing indebtedness. These securities were listed and traded on the Hong Kong Stock Exchange from 5 December 2018. Up to the date of this report, the Group did not redeem or cancel any of these securities.

4 Issue of the first batch of the first tranche of domestic unsecured perpetual medium-term notes

As stated in the announcements of the Company dated 12 December 2018, 13 December 2018 and 20 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd. (as the issuer) completed the issue of the first batch of the first tranche of the perpetual medium-term notes with the principal amount of RMB2,000,000,000 to qualified investors on 20 December 2018. The notes are unsecured with a final coupon rate of 5.00%. Approximately RMB1,400 million of the proceeds from the issuance of these notes will be used for project development and construction, and approximately RMB600 million will be used for replenishment of working capital of the Group. As at the date of this report, the Group had not yet confirmed the schedule of injecting funds for the aforesaid development and construction. The Group will withdraw such proceeds in due course according to the project development progress. Up to the date of this report, the Group did not redeem or cancel any of such notes.

5 Issue of domestic corporate bonds

As stated in the announcements of the Company dated 19 February 2019 and 25 February 2019, Jinmao Investment Management (Shanghai) Co., Ltd. (as the issuer) completed the issue of the corporate bonds with the principal amount of RMB1,800,000,000 to qualified investors on 22 February 2019. These corporate bonds have a term of 5 years, and the issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back these corporate bonds at the end of the third year, with a final coupon rate of 3.72%. All of the proceeds from the issuance of the corporate bonds will be used for repayment of the existing indebtedness of the Company. Up to the date of this report, the Group did not redeem or cancel any of such bonds.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A written resolution was entered into by the Independent Board Committee comprising all independent non-executive Directors of the Company on 15 March 2019 to review its decision made on 22 August 2018 not to exercise, for the time being, the option to acquire Sinochem Group Co., Ltd.'s 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

The Independent Board Committee has carefully reviewed the relevant information of Shimao Investment, taking into account the facts that Sinochem Group Co., Ltd. is a financial investor of Shimao Investment and owns a minority and passive interest in it only, and that the Company currently has a relatively high overall total debt position and the funds of the Company should be mainly used for expanding the land reserve for development segments to accelerate the asset turnover ratio and the recovery of cash receivables. Recently, the Company has made significant progress in land reserve, and the projects acquired by the Company, including the projects in Beijing, Zhuzhou, Wuxi, Wenzhou etc., are all at a stage that requires capital investment. In addition, the city operation projects in Qingdao, Ningbo and Zhangjiagang are large-scale development projects with long development cycle and huge demand for funds, and the injection and expansion of industrial resources require long-term commitment in operation and relentless effort. The Company considers that the acquisition of Shimao Investment at the moment would pose greater challenges to the Company in various aspects, including manpower and financial capacity. As such, the independent non-executive Directors unanimously agreed that the exercise of the option over Shimao Investment at this moment is not in line with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved not to exercise the option to acquire Sinochem Group Co., Ltd.'s 15% interest in Shimao Investment at this moment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment at the time when the interim and annual reports of the Company are to be released.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for 2018. The 2018 financial statements prepared in accordance with Hong Kong Financial Reporting Standards were audited by Ernst & Young based on the Hong Kong Standards on Auditing. Ernst & Young issued unqualified opinion on the 2018 financial statements.

MATERIAL ACQUISITIONS AND OTHER DISCLOSEABLE TRANSACTIONS

During the Period under Review, the material acquisitions and other discloseable transactions entered into by the Company include the following:

1 Acquisition of equity interest in Kunming Qiping

On 25 December 2018, Jinmao Tianjin, a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen Chuangqi Business Management Co., Ltd. ("Shenzhen Chuangqi"), Kunming OCT Land Co., Ltd., China Railway Real Estate Group Southwest Co., Ltd. and Kunming Qiping Real Estate

Co., Ltd. ("Kunming Qiping") in relation to the cooperation for the development of a total of 13 land parcels, numbered KCC2017-9-A1 to A13, located at the east of Wujiaying Area, Chenggong New District, Kunming City, Yunnan Province, the PRC. Pursuant to the agreement, the parties agreed to divide the 13 land parcels into the project A and project B, and Jinmao Tianjin will only participate in and take charge of the development of the project B (the "Project B"). For this purpose, Jinmao Tianjin agreed to acquire 32.96617106% interest in Kunming Qiping from Shenzhen Chuangqi at par value, through which Jinmao Tianjin will obtain 66% interest in the project B held by Kunming Qiping. Since Shenzhen Chuangqi has not made contribution to the registered capital of the Kunming Qiping, the Company is not required to make any cash payment to Shenzhen Chuangqi for the acquisition of 32.96617106% interest in the Kunming Qiping. Jinmao Tianjin shall make contribution of RMB32,966,171 to the registered capital of Kunming Qiping.

The Project B covers a site area of 419,041.89 sq.m. with a planned gross floor area of 595,960.30 sq.m.. It will be developed for residential and commercial use. The land cost of the Project B is RMB2,891,330,000. Based on its percentage of interest in the Project B, Jinmao Tianjin shall provide a shareholder loan of RMB1,908,277,800 to Kunming Qiping for its payment of the land cost of the Project B. Upon completion of the transaction, Kunming Qiping would not become a subsidiary of Jinmao Tianjin.

As the applicable percentage ratios in respect of the total capital commitment of Jinmao Tianjin (including the amount of its contribution to the registered capital of Kunming Qiping and the amount of its shareholder loan) are more than 5% but less than 25%, the acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. For details of the transaction, please refer to the announcement titled "Discloseable Transaction – Acquisition of Equity Interest in Kunming Qiping" published by the Company on 27 December 2018. The transaction was completed on 2 January 2019.

2 Formation of partnership by Jinmao Tianjin with Jiaxing Investment, PICC PE and BCEG Investment

On 17 December 2018, Jinmao Tianjin, a wholly-owned subsidiary of the Company, entered into a partnership agreement with Jiaxing Investment, PICC Private Equity Company Limited ("PICC PE") and BCEG Investment Development Co., Ltd. ("BCEG Investment") for the formation of the partnership. The total subscribed capital contributions from all the partners of the partnership shall be RMB5,000 million, of which each of Jiaxing Investment and PICC PE (each as a general partner) shall subscribe for an amount of RMB1 million, and each of Jinmao Tianjin and BCEG Investment (each as a limited partner) shall subscribe for an amount of RMB2,499 million. The partnership mainly focuses on private equity investments in the real estate sector. The funds of the partnership will be invested in no more than two real estate projects developed by the Company in Shanghai and the region around the Yangtze River Delta, or other projects decided by the investment decision committee of the partnership.

As the highest applicable percentage ratio of the transaction is more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. For details of the transaction, please refer to the announcement titled "Discloseable Transaction – Formation of Partnership" published by the Company on 17 December 2018. The transaction was completed on 7 January 2019.

3 Provision of loans by Jinmao Hangzhou to its shareholders

On 1 June 2017, Jinmao Hangzhou Property Development Co., Ltd. ("Jinmao Hangzhou"), an indirect non wholly-owned subsidiary of the Company, entered into a loan framework agreement with its shareholders, namely Make Friend Limited ("Make Friend") and Jiaxing Jinfang Qiantang Equity Investment Partnership (Limited Partnership) ("Jiaxing Jinfang"). Pursuant to the framework agreement, Jinmao Hangzhou agreed to provide loans to Make Friend (or the subsidiaries of the Company as may be designated by Make Friend and the Company) and Jiaxing Jinfang (or its designated subsidiaries) based on the same terms and conditions and in proportion to their respective shareholdings in Jinmao Hangzhou. The actual interest rate of each of the loans shall be determined by reference to the RMB benchmark loan interest rate for financial institutions of the same term published by the PBOC from time to time, subject to a floating range of 50% higher or lower than such rate. The framework agreement shall be valid for a term of three years from 1 June 2017.

On 17 December 2018, Jinmao Hangzhou entered into a supplemental agreement with Make Friend and Jiaxing Jinfang to increase the maximum daily balance (including the accrued interests) of the loans to be provided by Jinmao Hangzhou to Jiaxing Jinfang (or its designated subsidiaries) from RMB1,600 million to RMB1,900 million. For the year ended 31 December 2018, the amount of the loans provided by Jinmao Hangzhou under the framework agreement and the supplemental agreement did not exceed the annual cap.

As one or more of the applicable percentage ratios in respect of the maximum daily balance (including the accrued interests) of the loans to be provided by Jinmao Hangzhou to Jiaxing Jinfang (or its designated subsidiaries) under the supplemental agreement are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements. For details of the transaction, please refer to the announcement titled "Discloseable Transaction – Provision of Loans" published by the Company on 17 December 2018.

MATERIAL LITIGATION

For the year ended 31 December 2018, the Company was not subject to any material litigation that could have an adverse impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the sections headed "Share Options Scheme", "Connected Transactions" and "Issuance of Notes" under the "Report of the Directors" in this report, there were no material events of the Group after the Period under Review.

AUDITOR

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as the auditor of the Company. The Company did not change its auditor in the past three years.

On Behalf of the Board
NING Gaoning
Chairman

Independent Auditor's Report

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 174 to 307, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recorded in profit or loss. The Group's investment properties were revalued individually based on the valuations performed by independent qualified appraisers as at 31 December 2018. Different valuation techniques were applied to these investment properties. As both the year-end balance of RMB29,205,862,000 and the changes in fair value of RMB189,380,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, the growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.
Impairment of trade receivables	
As at 31 December 2018, the balance of trade receivables of the Group was RMB789,588,000, arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services. The Group recognises an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECL requires the application of significant judgement and estimate, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 3 and 23 to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We also assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information. We also evaluated the reasonableness of the Group's provision for trade receivables by reference to the Group's subsequent collection of the trade receivables.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

19 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**38,732,667**	31,074,845
Cost of sales		**(24,194,452)**	(21,034,199)
Gross profit		**14,538,215**	10,040,646
Other income and gains	5	**2,722,393**	3,850,901
Selling and marketing expenses		**(1,051,610)**	(977,448)
Administrative expenses		**(2,417,509)**	(2,143,024)
Other expenses and losses, net		**(36,146)**	(316,886)
Finance costs	7	**(2,420,573)**	(1,692,438)
Share of profits and losses of:			
Joint ventures		**369,183**	31,410
Associates		**10,749**	31,622
PROFIT BEFORE TAX	6	**11,714,702**	8,824,783
Income tax expense	10	**(4,337,978)**	(3,674,581)
PROFIT FOR THE YEAR		**7,376,724**	5,150,202
Attributable to:			
Owners of the parent		**5,210,888**	3,977,712
Non-controlling interests		**2,165,836**	1,172,490
		7,376,724	5,150,202
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**RMB cents**	RMB cents
Basic		**45.28**	37.27
Diluted		**45.06**	35.95

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR		**7,376,724**	5,150,202
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,501,727)**	1,589,939
Net gain/(loss) on net investments hedges		**3,083**	(79,713)
Net loss on cash flow hedges		**(44,189)**	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax		**(1,542,833)**	1,510,226
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13	**17,295**	1,279
Income tax effect		**(4,324)**	(319)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**12,971**	960
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(1,529,862)**	1,511,186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,846,862**	6,661,388
Attributable to:			
Owners of the parent		**3,801,527**	5,347,644
Non-controlling interests		**2,045,335**	1,313,744
		5,846,862	6,661,388

Consolidated Statement of Financial Position

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,729,103**	10,838,792
Properties under development	14	**50,127,258**	41,884,008
Land under development	15	**9,571,548**	8,998,364
Investment properties	17	**29,205,862**	27,812,347
Prepaid land lease payments	18	**1,458,246**	1,507,905
Intangible assets	19	**44,815**	31,250
Investments in joint ventures	20	**7,346,601**	2,994,050
Investments in associates	21	**6,698,667**	3,843,690
Deferred tax assets	35	**1,897,894**	1,491,568
Due from non-controlling shareholders	29	**3,625,331**	3,001,473
Due from related parties	26	**1,967,350**	1,824,350
Other receivables and other assets	24	**300,000**	315,000
Other financial assets	27	**1,239,281**	223,713
Total non-current assets		**124,211,956**	104,766,510
CURRENT ASSETS			
Properties under development	14	**48,471,834**	24,649,765
Properties held for sale	16	**8,991,061**	11,772,494
Land under development	15	**3,099,645**	6,876,716
Inventories	22	**120,197**	77,837
Trade receivables	23	**789,588**	919,910
Contract assets	25	**154,500**	–
Prepayments, other receivables and other assets	24	**20,020,799**	19,929,997
Due from related parties	26	**37,007,227**	22,262,994
Prepaid tax		**2,986,611**	2,142,415
Other financial assets	27	**2,199**	6,004,007
Derivative financial instruments	32	**847**	–
Restricted bank balances	28	**4,457,579**	3,235,181
Cash and cash equivalents	28	**21,324,200**	19,406,553
Total current assets		**147,426,287**	117,277,869
CURRENT LIABILITIES			
Trade and bills payables	30	**11,692,844**	9,163,117
Other payables and accruals	31	**68,158,124**	57,727,944
Interest-bearing bank and other borrowings	33	**21,976,235**	27,826,561
Due to related parties	26	**15,885,404**	7,157,826
Tax payable		**1,697,365**	1,487,526
Derivative financial instruments	32	**–**	77,440
Provision for land appreciation tax	34	**2,680,888**	3,633,637
Total current liabilities		**122,090,860**	107,074,051
NET CURRENT ASSETS		**25,335,427**	10,203,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**149,547,383**	114,970,328

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**65,996,423**	43,504,920
Derivative financial instruments	32	**44,769**	–
Deferred tax liabilities	35	**5,240,924**	5,021,696
Total non-current liabilities		**71,282,116**	48,526,616
Net assets		**78,265,267**	66,443,712
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**20,416,452**	17,702,376
Other reserves		**15,379,784**	15,149,721
		35,796,236	32,852,097
Non-controlling interests		**42,469,031**	33,591,615
Total equity		**78,265,267**	66,443,712

Li Congrui
Director

Jiang Nan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to owners of the parent											
	Notes	Share capital RMB'000 (note 38)	Perpetual convertible securities RMB'000 (note 36)	Capital reserve RMB'000 (note 40)	Asset revaluation reserve RMB'000 (note 40)	PRC statutory surplus reserve RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000 (note 40)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		17,691,782	2,638,374	(2,558,376)	120,596	2,183,896	(2,230,110)	–	18,197	13,761,932	31,626,291	24,117,789	55,744,080
Profit for the year		–	–	–	–	–	–	–	–	3,977,712	3,977,712	1,172,490	5,150,202
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	1,448,685	–	–	–	1,448,685	141,254	1,589,939
Net loss on hedges of net investments		–	–	–	–	–	–	(79,713)	–	–	(79,713)	–	(79,713)
Net gains on property revaluation		–	–	–	960	–	–	–	–	–	960	–	960
Total comprehensive income for the year		–	–	–	960	–	1,448,685	(79,713)	–	3,977,712	5,347,644	1,313,744	6,661,388
Perpetual convertible securities' distributions	36	–	–	–	–	–	–	–	–	(93,752)	(93,752)	–	(93,752)
Repurchase of perpetual convertible securities	36	–	(2,638,374)	–	–	–	–	–	–	(398,608)	(3,036,982)	–	(3,036,982)
Issue of perpetual securities, net of issue expenses	37	–	–	–	–	–	–	–	–	–	–	9,363,083	9,363,083
Perpetual securities' distribution		–	–	–	–	–	–	–	–	–	–	(373,925)	(373,925)
Acquisition of subsidiaries	42	–	–	–	–	–	–	–	–	–	–	145,328	145,328
Final 2016 dividend declared	11	–	–	–	–	–	–	–	–	(836,219)	(836,219)	–	(836,219)
Special 2017 interim dividend declared	11	–	–	–	–	–	–	–	–	(749,923)	(749,923)	–	(749,923)
Exercise of share options	38	10,594	–	–	–	–	–	–	(2,832)	–	7,762	–	7,762
Acquisition of non-controlling interests		–	–	381	–	–	–	–	–	–	381	(87,787)	(87,406)
Disposal of subsidiaries	43	–	–	–	–	–	–	–	–	–	–	(2,982,475)	(2,982,475)
Equity-settled share option arrangements	39	–	–	–	–	–	–	–	24,690	–	24,690	–	24,690
Capital contribution from non-controlling shareholders		–	–	562,205	–	–	–	–	–	–	562,205	5,797,702	6,359,907
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(3,701,844)	(3,701,844)
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	–	(4,735)	4,735	–	–	–
Transfer from retained profits		–	–	–	–	745,625	–	–	–	(745,625)	–	–	–
At 31 December 2017		17,702,376	–	(1,995,790)	121,556	2,929,521	(781,425)	(79,713)	35,320	14,920,252	32,852,097	33,591,615	66,443,712

	Notes	Share capital RMB'000 (note 38)	Capital reserve RMB'000 (note 40)	Asset revaluation reserve RMB'000 (note 40)	PRC statutory surplus reserve RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000 (note 40)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent										
At 31 December 2017		17,702,376	(1,995,790)	121,556	2,929,521	(781,425)	(79,713)	35,320	14,920,252	32,852,097	33,591,615	66,443,712
Effect of adoption of HKFRS 15	2.2	-	-	-	-	–	-	-	57,005	57,005	31,625	88,630
At 1 January 2018 (restated)		17,702,376	(1,995,790)	121,556	2,929,521	(781,425)	(79,713)	35,320	14,977,257	32,909,102	33,623,240	66,532,342
Profit for the year		-	-	-	-	-	-	-	5,210,888	5,210,888	2,165,836	7,376,724
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	(1,381,226)	-	-	-	(1,381,226)	(120,501)	(1,501,727)
Net gain on hedges of net investments	32	-	-	-	-	-	3,083	-	-	3,083	-	3,083
Net loss on cash flow hedges	32	-	-	-	-	-	(44,189)	-	-	(44,189)	-	(44,189)
Net gains on property revaluation		-	-	12,971	-	-	-	-	-	12,971	-	12,971
Total comprehensive income for the year		-	-	12,971	-	(1,381,226)	(41,106)	-	5,210,888	3,801,527	2,045,335	5,846,862
Repurchase of shares	38	-	-	-	-	-	-	-	(88,011)	(88,011)	-	(88,011)
Issue of new shares	38	2,701,809	-	-	-	-	-	-	-	2,701,809	-	2,701,809
Issue of perpetual securities	37	-	-	-	-	-	-	-	-	-	4,047,516	4,047,516
Perpetual securities' distributions		-	-	-	-	-	-	-	-	-	(803,081)	(803,081)
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	1,419,382	1,419,382
Final 2017 dividend declared	11	-	-	-	-	-	-	-	(1,700,592)	(1,700,592)	-	(1,700,592)
2018 interim dividend declared	11	-	-	-	-	-	-	-	(1,201,481)	(1,201,481)	-	(1,201,481)
Acquisition of non-controlling interests		-	(693,337)	-	-	-	-	-	-	(693,337)	(3,187,074)	(3,880,411)
Capital contribution from non-controlling shareholders		-	35,221	-	-	-	-	-	-	35,221	6,264,982	6,300,203
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(941,269)	(941,269)
Equity-settled share option arrangements	39	-	-	-	-	-	-	21,911	-	21,911	-	21,911
Exercise of share options	38	12,267	-	-	-	-	-	(2,180)	-	10,087	-	10,087
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	(3,364)	3,364	-	-	-
Transfer from retained profits		-	-	-	589,531	-	-	-	(589,531)	-	-	-
At 31 December 2018		20,416,452	(2,653,906)*	134,527*	3,519,052*	(2,162,651)*	(120,819)*	51,687*	16,611,894*	35,796,236	42,469,031	78,265,267

* These reserve accounts comprise the consolidated other reserves of RMB15,379,784,000 (2017: RMB15,149,721,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**11,714,702**	8,824,783
Adjustments for:			
Finance costs	7	**2,420,573**	1,692,438
Share of profits and losses of joint ventures and associates		**(379,932)**	(63,032)
Interest income	5	**(1,626,025)**	(859,234)
Other investment income	5	**(130,135)**	(160,556)
Loss on disposal of items of property, plant and equipment	6	**1,213**	6,047
Gain on disposal of intangible assets	6	**–**	(478)
Provision of impairment of trade receivables	6,23	**3,701**	1,424
Impairment of other receivables	6	**1,322**	2,250
Impairment of intangible assets	6,19	**36**	–
Fair value gains on investment properties	5,17	**(189,380)**	(72,104)
Fair value gains on transfers from properties held for sale to investment properties	5	**(43,977)**	(7,473)
Depreciation	6,13	**369,426**	360,393
Recognition of prepaid land lease payments	6,18	**54,270**	53,926
Amortisation of intangible assets	6,19	**10,755**	9,678
Net gain on cash flow hedges	6	**(955)**	–
Net loss/(gain) on net investments hedges	6	**25,489**	(2,273)
Gain on disposal of subsidiaries	5,43	**(72,240)**	(2,561,091)
Fair value gains on the equity interest previously held as investment in joint ventures	5,42	**(101,775)**	(24,320)
Gain on bargain purchase	5,42	**(74,992)**	(1,599)
Equity-settled share option expense	6,39	**21,911**	24,690
		12,003,987	7,223,469
Increase in properties under development		**(42,451,606)**	(42,864,743)
Decrease in properties held for sale		**17,306,989**	17,070,684
Decrease in land under development		**3,593,627**	1,802,370
(Increase)/decrease in inventories		**(42,360)**	23,093
Decrease in trade receivables		**157,144**	5,525,469
Increase in contract assets		**(154,500)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**3,654,996**	(9,541,093)
Increase in amounts due from related parties		**(5,087,003)**	(2,923,473)
Increase/(decrease) in trade and bills payables		**2,639,920**	(1,734,198)
Increase in other payables and accruals		**7,098,918**	5,274,054
Increase/(decrease) in amounts due to related parties		**8,727,578**	(874,450)
Effect of exchange rate changes, net		**(8,485)**	(351,513)
Cash generated from/(used in) operations		**7,439,205**	(21,370,331)
Interest received		**845,734**	1,128,712
PRC corporate income tax paid		**(3,623,767)**	(3,807,647)
Land appreciation tax paid		**(2,649,312)**	(643,802)
Net cash flows from/(used) in operating activities		**2,011,860**	(24,693,068)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**130,135**	160,556
Purchases of items of property, plant and equipment		**(423,008)**	(375,759)
Proceeds from disposal of items of property, plant and equipment		**6,362**	13,093
Proceeds from disposal of intangible assets		**10**	3,863
Additions to investment properties	17	**(1,134,558)**	(3,706,776)
Additions to prepaid land lease payments		**(8,315)**	(266)
Additions to intangible assets		**(24,522)**	(12,582)
Decrease in other financial assets		**4,986,240**	30,277
Disposal of subsidiaries	43	**(2,186,191)**	368,108
Acquisition of subsidiaries	42	**(26,095)**	141,226
Investments in joint ventures		**(4,894,897)**	(754,099)
Investments in associates		**(2,758,784)**	(1,157,450)
Increase in loans to joint ventures and associates		**(8,343,348)**	(4,661,764)
Decrease/(increase) in loans to non-controlling shareholders		**1,336,097**	(3,892,300)
Decrease/(increase) in entrustment loans to third parties		**1,211,722**	(768,145)
Advance of investment to third parties		**(6,672,675)**	–
Increase in restricted bank deposits		**(765,236)**	(906,807)
Settlement of derivative financial instruments – hedges of a net investment		**(21,592)**	–
Net cash flows used in investing activities		**(19,588,655)**	(15,518,825)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net of issue expenses		**2,701,809**	–
Issue of perpetual securities, net of issue expenses		**4,047,516**	9,363,083
Redemption of perpetual convertible securities		**–**	(3,036,982)
Repurchase of shares		**(88,011)**	–
New bank and other borrowings		**72,153,832**	57,625,210
Repayment of bank and other borrowings		**(54,591,241)**	(32,447,626)
Interest paid		**(4,733,335)**	(3,244,842)
Advance of investment from third parties		**1,659,463**	5,092,016
Dividends paid		**(2,902,073)**	(1,586,142)
Dividends paid to non-controlling shareholders		**(776,675)**	(3,438,709)
Loans from non-controlling shareholders		**1,605,025**	7,499,374
Repayment of loans from non-controlling shareholders		**(1,266,892)**	–
Acquisition of non-controlling interests		**(3,880,411)**	(87,406)
Capital contribution from non-controlling shareholders		**6,300,203**	6,359,907
Proceeds from exercise of share options		**10,087**	7,762
Perpetual convertible securities' distributions paid		**–**	(93,752)
Perpetual securities' distribution paid		**(803,081)**	(373,925)
Net cash flows from financing activities		**19,436,216**	41,637,968

	Note	2018 RMB'000	2017 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,859,421**	1,426,075
Cash and cash equivalents at beginning of year		**19,406,553**	18,045,582
Effect of foreign exchange rate changes, net		**58,226**	(65,104)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**21,324,200**	19,406,553
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**21,175,637**	18,501,592
Non-pledged time deposits with original maturity of within three months when acquired		**105,336**	857,474
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**43,227**	47,487
Cash and cash equivalents as stated in the statement of financial position	28	**21,324,200**	19,406,553

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

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

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai International Shipping Service Center Co., Ltd. ("SISSC")*	The PRC/Mainland China	RMB3,150,000,000	50%	50%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/Mainland China	US$635,000,000	100%	–	Property development
Chongqing Xingtuo Development Co., Ltd.***	The PRC/Mainland China	US$200,000,000	–	100%	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/Mainland China	RMB2,884,540,000	–	45%@	Property development
Jinmao Hangzhou Property Development Co., Ltd.* ("Jinmao Hangzhou")*	The PRC/Mainland China	RMB3,200,000,000	–	50%#	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/Mainland China	RMB3,000,000,000	–	80%	Land development
Beijing Chemsunny Property Co., Ltd.***	The PRC/Mainland China	US$102,400,000	50%	50%	Property investment
Wangfujing Hotel Management Co., Ltd.***	The PRC/Mainland China	US$73,345,000	–	66.77%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/Mainland China	RMB2,635,000,000	–	66.77%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/Mainland China	RMB1,600,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/Mainland China	RMB300,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/Mainland China	RMB500,000,000	–	66.77%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB700,000,000	–	66.77%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB100,000,000	–	66.77%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Franshion Properties (Suzhou) Limited***	The PRC/Mainland China	US$395,000,000	–	100%	Property development
Franshion Properties (Ningbo) Limited***	The PRC/Mainland China	US$254,000,000	–	100%	Property development
Beijing Franshion Yicheng Properties Limited**	The PRC/Mainland China	RMB1,742,800,000	–	100%	Property development
Jinmao (China) Hotel Investments and Management Limited ("JCHIML")&	Cayman Islands/Hong Kong	HK$2,000,000	66.77%	–	Investment holding
Guangzhou Xingtuo Properties Limited*	The PRC/Mainland China	RMB2,260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/Mainland China	RMB2,962,500,000	–	100%	Land development
Jinmao Investments Management Co., Ltd.***	The PRC/Mainland China	US$8,000,000	100%	–	Investment holding
Qingdao Lanhai Xingang City Real Estate Co., Ltd.**	The PRC/Mainland China	RMB2,000,000,000	–	50%	Property development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/Mainland China	RMB30,000,000	–	100%	Property development
Nanjing Taimao Properties Development Ltd.**	The PRC/Mainland China	RMB1,400,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao")**	The PRC/Mainland China	RMB4,500,000,000	–	26.5%$	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Franshion Gezhouba Property Development Co., Ltd.**	The PRC/Mainland China	RMB200,000,000	–	51%	Property development
Nanjing Jiamao Properties Development Ltd.**	The PRC/Mainland China	RMB300,000,000	–	100%	Property investment
Tianjin Jinhui Properties Development Ltd.**	The PRC/Mainland China	RMB2,580,000,000	–	100%	Property investment
Qingdao Fangsheng Investment Management Ltd.**	The PRC/Mainland China	RMB20,000,000	–	100%	Property investment
Ningbo Xingmao Property Development Co., Ltd.***	The PRC/Mainland China	US$200,000,000	–	100%	Property investment
Ningbo Yingmao Properties Development Ltd.**	The PRC/Mainland China	RMB602,649,000	–	50%#	Property investment

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
& Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.
# The Group controls the board of directors of this entity by virtue of its power to cast the majority of votes at meetings of the board, and therefore has the power to exercise control over the entity's operating and financing activities.
@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.
$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

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

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Note	HKAS 39 measurement		Re-classification	ECL	HKFRS 9 measurement	
		Category	Amount RMB'000	RMB'000	RMB'000	Amount RMB'000	Category
Financial assets							
Equity investments designated at fair value through profit or loss		N/A		6,227,720		6,227,720	FVPL[4]
From: Available-for-sale investment included in other financial assets	(i)			6,227,720		6,227,720	
Trade receivables		L&R[1]	919,910	–	–	919,910	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	12,932,926	–	–	12,932,926	AC
Due from related parties		L&R	24,087,344	–	–	24,087,344	AC
Due from non-controlling shareholders		L&R	3,001,473	–	–	3,001,473	AC
Available-for-sale investment included in other financial assets		AFS[3]	6,227,720	(6,227,720)	–	–	N/A
To: Equity investments designated at fair value through profit or loss	(i)		–	(6,227,720)	–	(6,227,720)	
Restricted bank balances		L&R	3,235,181	–	–	3,235,181	AC
Cash and cash equivalents		L&R	19,406,553	–	–	19,406,553	AC
			69,811,107	–	–	69,811,107	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Classification and measurement (Continued)

	HKAS 39 measurement		Re-classification	ECL	HKFRS 9 measurement	
	Category	Amount RMB'000	RMB'000	RMB'000	Amount RMB'000	Category
Financial liabilities						
Trade and bills payables	AC	9,163,117	–	–	9,163,117	AC
Financial liabilities included in other payables and accruals	AC	18,643,614	–	–	18,643,614	AC
Derivative financial instruments	FVPL	77,440	–	–	77,440	FVPL
Interest-bearing bank and other borrowings	AC	71,331,481	–	–	71,331,481	AC
Due to related parties	AC	7,157,826	–	–	7,157,826	AC
		106,373,478	–	–	106,373,478	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 AFS: Available-for-sale investments
4 FVPL: Financial assets or financial liabilities at fair value through profit or loss

Note:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Impairment

As a result of the application of HKFRS 9, the Group has changed the accounting policy with respect to recognize impairment provision for financial assets at amortised cost based on their expected credit losses ("ECLs") in note 2.4 to the financial statement.

The adoption of the expected credit losses model under HKFRS 9 has had no significant impact on the Group's consolidated financial statements.

Hedge accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

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

	Notes	Increase/(decrease) RMB'000
Assets		
Trade receivables	(i)	**(53,985)**
Contract assets	(i)	**53,985**
Investments in joint ventures	(iv)	**4,847**
Contract cost included in prepayments, other receivables and other assets	(iii)	**111,710**
Total		**116,557**
Liabilities		
Deferred tax liabilities	(iv)	**27,927**
Total		**27,927**
Equity		
Retained profits	(iii),(iv)	**57,005**
Non-controlling interests	(iv)	**31,625**
		88,630

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

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

Amounts prepared under	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Profit before tax	(iii)	11,714,702	11,689,121	25,581
Income tax expense	(iv)	(4,337,978)	(4,331,583)	6,395
Profit for the year		7,376,724	7,357,538	19,186
Attributable to:				
Owners of the parent		5,210,888	5,191,405	19,483
Non-controlling interests		2,165,836	2,166,133	(297)
Earnings per share attributable to ordinary equity holders of the parent				
		RMB cents	RMB cents	RMB cents
Basic		45.28	45.11	0.17
Diluted		45.06	44.89	0.17

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Trade receivables	(i)	789,588	944,088	(154,500)
Contract assets	(i)	154,500	–	154,500
Contract costs included in prepayments, other receivables and other assets	(iii)	129,167	–	129,167
Investment in joint ventures	(iv)	7,346,601	7,337,794	8,807
Investment in associates	(iv)	6,698,667	6,692,887	5,780
Total		271,638,243	271,494,489	143,754
Other payables and accruals	(ii)	68,158,124	68,158,124	–
Deferred tax liabilities	(iv)	5,240,924	5,204,986	35,938
Total		193,372,976	193,337,037	35,939
Net assets		78,265,267	78,157,451	107,816
Retained profits	(iv)	16,611,894	16,535,406	76,488
Non-controlling interests	(iv)	42,469,031	42,437,703	31,328
Total equity		78,265,267	78,157,451	107,816

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

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

(i) Design and decoration services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as trade receivables in the statement of financial position before the design and decoration services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB53,985,000 from construction contracts to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. The adoption of HKFRS 15 has had no significant impact on financial position of the Group as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of RMB154,500,000 and an increase in contract assets of RMB154,500,000.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as receipts in advance. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB38,816,882,000 from receipts in advance to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB46,967,258,000 was reclassified from receipts in advance to contract liabilities in relation to the consideration received from customers in advance for the sale of completed properties.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

(iii) Contract costs

Under HKFRS 15, contract costs of obtaining contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as contract costs if they are recoverable and subsequently amortised on a systematic basis consistent with the pattern of the revenue to which the related asset is recognised. The Group has involved real estate agents to sell its properties development projects. Upon the adoption of HKFRS 15, sales commissions paid to them that are directly related to the contracts obtained would represent contract costs that require capitalisation and amortisation when the related revenue is recognised.

Therefore, upon adoption of HKFRS 15, the Group capitalised RMB111,710,000 sales commissions as contract costs as at 1 January 2018 in relation to the unamortised contract costs as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract costs of RMB129,167,000 and increase in profit before tax of RMB25,581,000 (after taking into account of the financial impact of the investments in joint ventures and associates) for the year ended 31 December 2018.

(iv) Other adjustments

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

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

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that 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) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

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

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

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Operating leases

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

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

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

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

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

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

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial assets at fair value through profit or loss **(Continued)**

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***Financial assets at fair value through profit or loss* (Continued)**

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***Available-for-sale financial investments* (Continued)**

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Simplified approach

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

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

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

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial assets carried at amortised cost (Continued)

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Available-for-sale financial investments (Continued)

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

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

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other borrowings, and derivative financial instruments.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Loans and borrowings

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Initial recognition and subsequent measurement (Continued)

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

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

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash flow hedges (Continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

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

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

(a) Sale of completed properties
Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable;

(b) Land development
Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) Hotel operations
Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenue from contracts with customers (Continued)

(d) Property management services
Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group;

(e) Design and decoration services
Revenue from the provision of design and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design and decoration services.

Revenue from other sources

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

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (applicable before 1 January 2018)

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

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

(b) from land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) hotel and other service income, in the period in which such services are rendered;

(d) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the statement of profit or loss when they arise;

(e) from the rendering of property management services, in the period in which such services are rendered;

(f) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

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

Contract liabilities (applicable from 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs (applicable from 1 January 2018)

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

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

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

(c) The costs are expected to be recovered.

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

Contracts for services (applicable before 1 January 2018)

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 4.55% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

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

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

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

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arises throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

Classification between investment properties and properties held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 25 to the financial statements, respectively.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2018 was RMB29,205,862,000 (2017:RMB27,812,347,000). Further details, including the key assumptions used for the fair value measurement, are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2018 was RMB98,599,092,000 (2017: RMB66,533,773,000). Further details are given in note 14 to the financial statements.

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2018 was RMB12,671,193,000 (2017: RMB15,875,080,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale and inventories at 31 December 2018 were RMB8,991,061,000 (2017: RMB11,772,494,000) and RMB120,197,000 (2017: RMB77,837,000), respectively.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018 was RMB360,907,000 (2017: RMB112,871,000). The amount of unrecognised tax losses at 31 December 2018 was RMB3,414,677,000 (2017: RMB2,246,775,000). Further details are contained in note 35 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2018 was RMB1,697,365,000 (2017: RMB1,487,526,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2018 was RMB2,680,888,000 (2017: RMB3,633,637,000). Further details are given in note 34 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	33,734,165	1,449,822	2,047,913	1,500,767	38,732,667
Intersegment sales	105,379	15,350	–	602,142	722,871
	33,839,544	1,465,172	2,047,913	2,102,909	39,455,538
Reconciliation:					
Elimination of intersegment sales					(722,871)
Total revenue					38,732,667
Segment results	11,356,837	940,796	228,898	121,621	12,648,152
Reconciliation:					
Elimination of intersegment results					(395,838)
Interest income					1,626,025
Other investment income					130,135
Corporate and other unallocated expenses					126,801
Finance costs					(2,420,573)
Profit before tax					11,714,702
Segment assets	214,973,870	35,145,641	12,802,867	2,665,327	265,587,705
Reconciliation:					
Elimination of intersegment assets					(105,150,339)
Corporate and other unallocated assets					111,200,877
Total assets					271,638,243
Segment liabilities	133,020,296	5,886,094	7,113,694	1,385,329	147,405,413
Reconciliation:					
Elimination of intersegment liabilities					(97,360,213)
Corporate and other unallocated liabilities					143,327,776
Total liabilities					193,372,976
Other segment information:					
Share of profits of joint ventures	366,757	–	–	2,426	369,183
Share of profits of associates	10,749	–	–	–	10,749
Depreciation and amortisation	28,387	35,874	299,233	16,687	380,181
Recognition of prepaid land lease payments	–	–	54,112	158	54,270
(Gain)/loss on disposal of items of property, plant and equipment	(91)	426	799	79	1,213
Impairment losses recognised in the statement of profit or loss	36	(373)	641	4,755	5,059
Fair value gains on investment properties	–	189,380	–	–	189,380
Fair value gains on transfer from properties held for sale to investment properties	–	43,977	–	–	43,977
Investments in associates	6,698,667	–	–	–	6,698,667
Investments in joint ventures	7,313,800	–	–	32,801	7,346,601
Capital expenditure*	213,038	1,170,810	115,096	12,714	1,511,658

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	26,869,190	1,369,988	2,069,979	765,688	31,074,845
Intersegment sales	–	27,801	–	460,592	488,393
	26,869,190	1,397,789	2,069,979	1,226,280	31,563,238
Reconciliation:					
Elimination of intersegment sales					(488,393)
Total revenue					31,074,845
Segment results	9,659,563	782,927	221,380	(46,875)	10,616,995
Reconciliation:					
Elimination of intersegment results					(484,366)
Interest income					859,234
Other investment income					160,556
Corporate and other unallocated expenses					(635,198)
Finance costs					(1,692,438)
Profit before tax					8,824,783
Segment assets	190,844,253	32,592,519	13,680,193	768,394	237,885,359
Reconciliation:					
Elimination of intersegment assets					(106,600,020)
Corporate and other unallocated assets					90,759,040
Total assets					222,044,379
Segment liabilities	123,705,046	4,844,060	7,219,272	847,352	136,615,730
Reconciliation:					
Elimination of intersegment liabilities					(98,760,124)
Corporate and other unallocated liabilities					117,745,061
Total liabilities					155,600,667
Other segment information:					
Share of profits of joint ventures	28,732	–	–	2,678	31,410
Share of profits of associates	31,622	–	–	–	31,622
Depreciation and amortisation	17,944	33,812	306,734	11,581	370,071
Recognition of prepaid land lease payments	–	–	53,837	89	53,926
Loss on disposal of items of property, plant and equipment	1,175	2,428	2,352	92	6,047
Impairment losses recognised in the statement of profit or loss	–	2,126	142	1,406	3,674
Fair value gains on investment properties	–	72,104	–	–	72,104
Fair value gains on transfer from properties held for sale to investment properties	–	7,473	–	–	7,473
Investments in associates	3,843,690	–	–	–	3,843,690
Investments in joint ventures	2,960,185	–	–	33,865	2,994,050
Capital expenditure	126,582	3,725,290	165,612	17,073	4,034,557

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue. (2017: Nil)

5. REVENUE, OTHER INCOME AND GAINS

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

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**37,282,845**	–
Sale of completed properties	**–**	21,967,225
Land development	**–**	4,901,965
Hotel operations	**–**	2,069,979
Others	**–**	765,688
Revenue from other sources		
Gross rental income	**1,449,822**	1,369,988
	38,732,667	31,074,845

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Type of goods or services				
Sale of completed properties	**25,592,335**	**–**	**–**	25,592,335
Land development	**8,141,830**	**–**	**–**	8,141,830
Hotel operations	**–**	**2,047,913**	**–**	2,047,913
Others	**–**	**–**	**1,500,767**	1,500,767
Total revenue from contracts with customers	**33,734,165**	**2,047,913**	**1,500,767**	37,282,845
Timing of revenue recognition				
Goods transferred at a point of time	**33,734,165**	**–**	**–**	33,734,165
Services transferred over time	**–**	**2,047,913**	**1,500,767**	3,548,680
Total revenue from contracts with customers	**33,734,165**	**2,047,913**	**1,500,767**	37,282,845

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

For the year ended 31 December 2018

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	33,734,165	2,047,913	1,500,767	37,282,845
Intersegment sales	105,379	–	602,142	707,521
	33,839,544	2,047,913	2,102,909	37,990,366
Intersegment adjustments and eliminations	(105,379)	–	(602,142)	(707,521)
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of completed properties	13,466,027
Land development	2,041,495
Hotel operations	90,642
Others	26,209
	15,624,373

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

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

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services.

Property management services

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

Design and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	Notes	2018 RMB'000	2017 RMB'000
Other income			
Interest income		**1,626,025**	859,234
Other investment income		**130,135**	160,556
Government grants*		**58,984**	22,164
Default penalty income		**7,340**	13,553
		1,822,484	1,055,507
Gains			
Fair value gains on investment properties	17	**189,380**	72,104
Fair value gains on transfers from properties held for sale to investment properties		**43,977**	7,473
Gain on bargain purchase	42	**74,992**	1,599
Gain on disposal of subsidiaries	43	**72,240**	2,561,091
Fair value gains on the equity interest previously held as investments in joint venture		**101,775**	24,320
Foreign exchange gain, net		**114,003**	–
Others		**303,542**	128,807
		899,909	2,795,394
		2,722,393	3,850,901

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of properties sold		**17,619,523**	17,191,387
Cost of land development		**4,085,552**	1,892,516
Cost of services provided		**2,489,377**	1,950,296
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**194,494**	234,167
Depreciation	13	**369,426**	360,393
Amortisation of intangible assets	19	**10,755**	9,678
Minimum lease payments under operating leases		**76,751**	37,557
Recognition of prepaid land lease payments	18	**54,270**	53,926
Auditor's remuneration		**6,004**	5,551
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**1,603,425**	1,214,090
Equity-settled share option expense	39	**21,911**	24,690
Pension scheme contributions (defined contribution schemes)		**152,968**	118,234
Less: Amount capitalised		**(26,679)**	(13,336)
Net pension scheme contributions*		**126,289**	104,898
		1,751,625	1,343,678
Foreign exchange differences, net		**(114,003)**	269,250
Loss on disposal of items of property, plant and equipment**		**1,213**	6,047
Gain on disposal of intangible assets		**–**	(478)
Provision of impairment of trade receivables**	23	**3,701**	1,424
Impairment of financial assets included in prepayments, other receivables and other assets**		**1,322**	2,250
Ineffectiveness and hedging cost of cash flow hedges		**(955)**	–
Ineffectiveness and hedging cost of net investments hedges		**25,489**	(2,273)
Gain on bargain purchase***	42	**(74,992)**	(1,599)
Impairment of intangible assets	19	**36**	–

* At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

*** Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other loans, notes and bonds	**5,217,824**	3,778,610
Interest on an amount due to a fellow subsidiary (note 48(a))	**38,619**	12,755
Interest on an amount due to the immediate holding company (note 48(a))	**121,115**	74,135
Interest on an amount due to an associate (note 48(a))	**11**	17,554
Total interest expense	**5,377,569**	3,883,054
Less: Interest capitalised	**(2,956,996)**	(2,190,616)
	2,420,573	1,692,438

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Fees	**1,167**	1,068
Other emoluments:		
Salaries, allowances and benefits in kind	**9,377**	6,669
Bonuses*	**23,475**	7,553
Equity-settled share option expense	**747**	602
Pension scheme contributions	**1,260**	857
	34,859	15,681
	36,026	16,749

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

Mr. Lau Hon Chuen, Ambrose, Mr. Su Xijia, and Mr. Gao Shibin are independent non-executive directors of the Company, and the fees paid to them during the year were RMB389,000 (2017: RMB356,000), RMB389,000 (2017: RMB356,000), and RMB389,000 (2017: RMB356,000), respectively.

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors, non-executive directors and the chief executive

Executive directors

i. Mr. Li Congrui is the chief executive officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2017: Nil), salaries, allowances and benefits in kind of RMB3,163,000 (2017: RMB2,844,000), performance related bonuses of RMB5,139,000 (2017: RMB3,608,000), special bonuses of RMB6,344,000 (2017: Nil), equity-settled share option expense of RMB249,000 (2017: RMB251,000), and pension scheme contributions of RMB493,000 (2017: RMB396,000).

ii. Mr. Jiang Nan is the chief financial officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2017: Nil), salaries, allowances and benefits in kind of RMB3,121,000 (2017: RMB2,836,000), performance related bonuses of RMB3,726,000 (2017: RMB2,830,000), special bonuses of RMB2,115,000 (2017: Nil), equity-settled share option expense of RMB249,000 (2017: RMB251,000), and pension scheme contributions of RMB422,000 (2017: RMB350,000).

iii. Mr. Song Liuyi was appointed as an executive director of the Company with effect from 8 August 2017. The remuneration paid to him during the year included fees of RMB0 (2017: Nil), salaries, allowances and benefits in kind of RMB3,093,000 (2017: RMB989,000), performance related bonuses of RMB4,036,000 (2017: RMB1,115,000), special bonuses of RMB2,115,000 (2017: Nil), equity-settled share option expense of RMB249,000 (2017: RMB100,000), and pension scheme contributions of RMB345,000 (2017: RMB111,000). His remuneration disclosed here represented his remuneration during his tenure as an executive director of the Company.

Non-executive directors

i. Mr. Ning Gaoning is the chairman and non-executive director of the Company. There was no remuneration paid to him during the year (2017: Nil).

ii. Mr. Yang Lin and Mr. An Hongjun are non-executive directors of the Company. There were no remuneration paid to them during the year (2017: Nil).

iii. Mr. Cui Yan resigned as a non-executive director of the Company with effect from 8 August 2017. There were no remuneration paid to him during the year (2017: Nil).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2017: three directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**14,457**	12,380
Bonuses	**33,116**	14,137
Equity-settled share option expense	**1,246**	1,255
Pension scheme contributions	**1,872**	1,528
	50,691	29,300

The number of five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	2017
HK$4,500,001 to HK$5,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	2
HK$7,000,001 to HK$7,500,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
HK$11,000,001 to HK$11,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	**1**	–
HK$18,000,001 to HK$18,500,000	**1**	–
	5	5

In prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Notes	2018 RMB'000	2017 RMB'000
Current			
PRC corporate income tax			
Charge for the year		**3,184,808**	2,568,956
Underprovision in prior years		**824**	4,092
PRC land appreciation tax	34	**1,467,896**	1,105,892
		4,653,528	3,678,940
Deferred	35	**(315,550)**	(4,359)
Total tax charge for the year		**4,337,978**	3,674,581

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

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

10. INCOME TAX (Continued)

2018

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
(Loss)/profit before tax	(1,350,177)	13,064,879	11,714,702
Tax at the statutory income tax rate	(222,779)	3,266,220	3,043,441
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	39,027	–	39,027
Adjustment in respect of current tax of previous periods	–	824	824
Profits and losses attributable to joint ventures and associates	–	(94,983)	(94,983)
Income not subject to tax	(7,307)	(93,689)	(100,996)
Expenses not deductible for tax	230,086	70,913	300,999
Tax losses utilised from previous periods	–	(120,644)	(120,644)
Tax losses not recognised	–	169,388	169,388
LAT (note 34)	–	1,467,896	1,467,896
Tax effect of LAT	–	(366,974)	(366,974)
Tax charge for the year	39,027	4,298,951	4,337,978

10. INCOME TAX (Continued)

2017

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	1,415,041	7,409,742	8,824,783
Tax at the statutory income tax rate	233,482	1,852,435	2,085,917
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	226,980	–	226,980
Lower tax rate for gain on disposal of a PRC subsidiary	(196,010)	–	(196,010)
Adjustment in respect of current tax of previous periods	–	4,092	4,092
Profits and losses attributable to joint ventures and associates	–	(15,762)	(15,762)
Income not subject to tax	(6,128)	(35,567)	(41,695)
Expenses not deductible for tax	264,311	57,618	321,929
Tax losses utilised from previous periods	–	(16,318)	(16,318)
Tax losses not recognised	–	476,029	476,029
LAT (note 34)	–	1,105,892	1,105,892
Tax effect of LAT	–	(276,473)	(276,473)
Tax charge for the year	522,635	3,151,946	3,674,581

The share of tax attributable to joint ventures and associates amounting to RMB162,475,000 (2017: share of tax credit of RMB64,911,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim – HK12.0 cents (2017 special interim dividend: HK8.17 cents) per ordinary share	**1,201,481**	749,923
Proposed final – HK10.0 cents (2017: HK18.0 cents) per ordinary share	**988,589**	1,549,183

The actual amount of the 2017 final dividend paid during the year ended 31 December 2018 was RMB1,700,592,000.

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,507,083,785 (2017: 10,673,642,868) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities and share options into ordinary shares.

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

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**5,210,888**	3,977,712

	Number of shares 2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,507,083,785**	10,673,642,868
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	**–**	362,036,855
Share options	**57,157,787**	27,350,532
	11,564,241,572	11,063,030,255

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	9,012,908	19,569	584,254	1,667,217	63,030	2,217,310	13,564,288
Accumulated depreciation and impairment	(1,481,160)	(19,551)	(97,877)	(1,082,632)	(44,276)	–	(2,725,496)
Net carrying amount	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
At 1 January 2018, net of accumulated depreciation and impairment	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
Additions	17,576	–	12,327	59,505	2,651	255,435	347,494
Disposals	(35,634)	–	(4,451)	(1,889)	(974)	(34,838)	(77,786)
Depreciation provided during the year	(236,719)	–	(18,852)	(109,306)	(4,549)	–	(369,426)
Acquisition of subsidiaries (note 42)	–	–	–	1,649	–	–	1,649
Disposal of subsidiaries (note 43)	–	–	–	(2,886)	(433)	–	(3,319)
Gain on properties revaluation in relation to the transfer to investment properties	–	–	17,295	–	–	–	17,295
Transfer to investment properties (note 17)	–	–	(37,750)	–	–	–	(37,750)
Transfer from investment properties (note 17)	–	–	12,150	–	–	–	12,150
Transfers	(234,793)	–	–	335,562	(1,237)	(99,532)	–
Exchange realignment	–	–	–	4	–	–	4
At 31 December 2018, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
At 31 December 2018:							
Cost	8,760,057	19,569	570,554	2,046,108	59,454	2,338,375	13,794,117
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,884)	(45,242)	–	(3,065,014)
Net carrying amount	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017							
At 1 January 2017:							
Cost	8,136,006	19,569	508,284	1,676,883	67,896	2,787,824	13,196,462
Accumulated depreciation and impairment	(1,258,641)	(19,550)	(85,241)	(976,616)	(44,558)	–	(2,384,606)
Net carrying amount	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856
At 1 January 2017, net of accumulated depreciation and impairment	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856
Additions	112,924	–	9,457	38,078	3,796	139,379	303,634
Disposals	(58,490)	–	(2,406)	(46,785)	(1,867)	(10,537)	(120,085)
Depreciation provided during the year	(223,365)	(1)	(17,982)	(113,055)	(5,990)	–	(360,393)
Acquisition of subsidiaries	–	–	33,026	1,064	348	–	34,438
Disposal of subsidiaries (note 43)	–	–	–	(176)	(871)	–	(1,047)
Gain on property revaluation in relation to the transfer to investment properties	–	–	1,279	–	–	–	1,279
Transfer to investment properties (note 17)	–	–	(21,490)	–	–	–	(21,490)
Transfer from investment properties (note 17)	–	–	61,450	–	–	–	61,450
Transfer from properties held for sale	129,156	–	–	–	–	–	129,156
Transfers	694,158	–	–	5,198	–	(699,356)	–
Exchange realignment	–	–	–	(6)	–	–	(6)
At 31 December 2017, net of accumulated depreciation and impairment	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
At 31 December 2017:							
Cost	9,012,908	19,569	584,254	1,667,217	63,030	2,217,310	13,564,288
Accumulated depreciation and impairment	(1,481,160)	(19,551)	(97,877)	(1,082,632)	(44,276)	–	(2,725,496)
Net carrying amount	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792

At 31 December 2018, certain of the Group's hotel properties and buildings, construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB310,974,000 (2017: RMB322,653,000) were pledged to secure bank loans granted to the Group (note 33).

14. PROPERTIES UNDER DEVELOPMENT

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**66,533,773**	42,920,645
Additions		**45,018,863**	44,387,266
Transfer to properties held for sale		**(14,525,556)**	(19,384,987)
Acquisition of subsidiaries	42	**12,993,213**	9,063,595
Disposal of subsidiaries	43	**(11,421,201)**	(10,452,746)
Carrying amount at 31 December		**98,599,092**	66,533,773
Current portion		**(48,471,834)**	(24,649,765)
Non-current portion		**50,127,258**	41,884,008

At 31 December 2018, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB44,927,739,000 (2017: RMB25,829,469,000) were pledged to secure bank loans granted to the Group (note 33).

15. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**15,875,080**	17,226,210
Additions	**1,756,445**	1,910,039
Recognised during the year	**(4,960,332)**	(3,261,169)
Carrying amount at 31 December	**12,671,193**	15,875,080
Current portion	**(3,099,645)**	(6,876,716)
Non-current portion	**9,571,548**	8,998,364

16. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

At 31 December 2018, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB140,784,000 (2017: RMB3,023,504,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**27,812,347**	22,029,331
Additions		**1,134,558**	3,706,776
Transfer from properties held for sale		**43,977**	2,007,118
Acquisition of subsidiaries		**–**	312,765
Net gain from a fair value adjustment	5	**189,380**	72,104
Transfer from property, plant and equipment	13	**37,750**	21,490
Transfer to property, plant and equipment	13	**(12,150)**	(61,450)
Transfer to properties held for sale		**–**	(32,929)
Disposal of subsidiaries	43	**–**	(242,858)
Carrying amount at 31 December		**29,205,862**	27,812,347

The Group's investment properties consist of 15 commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued individually on 31 December 2018 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

These investment properties are leased under operating leases, further summary details of which are included in note 46(a) to the financial statements.

At 31 December 2018, certain of the Group's investment properties with a carrying value of RMB12,688,153,000 (2017: RMB12,553,080,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2018 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**47,800**	**29,158,062**	**29,205,862**

	Fair value measurement as at 31 December 2017 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	47,670	27,764,677	27,812,347

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2017	21,991,331
Additions	3,706,776
Transfer from properties held for sale	2,007,118
Acquisition of subsidiaries	312,765
Net gain from a fair value adjustment	62,434
Transfer from property, plant and equipment	21,490
Transfer to property, plant and equipment	(61,450)
Transfer to properties held for sale	(32,929)
Disposal of subsidiaries	(242,858)
Carrying amount at 31 December 2017 and 1 January 2018	27,764,677
Additions	1,134,558
Transfer from properties held for sale	43,977
Net gain from a fair value adjustment	189,250
Transfer from property, plant and equipment	37,750
Transfer to property, plant and equipment	(12,150)
Carrying amount at 31 December 2018	29,158,062

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017
Property 1 – Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	**6.00%**	6.00%
		Reversionary yield	**6.50%**	6.50%
		Market rent (per square metre ("sqm") per annum ("p.a."))	**RMB5,292 – RMB9,732**	RMB5,177 – RMB9,453
Property 2 – Sinochem Tower	Term and reversion method	Term yield	**3.00% – 5.50%**	3.00% – 6.00%
		Reversionary yield	**3.50% – 6.00%**	3.50% – 6.50%
		Market rent (per sqm p.a.)	**RMB2,988 – RMB9,840**	RMB3,072 – RMB9,720
Property 3 – Jin Mao Tower	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB4,224 – RMB12,000**	RMB4,092 – RMB11,700
Property 4 – Zhuhai Every Garden	Term and reversion method	Term yield	**5.50% – 6.25%**	5.50% – 6.25%
		Reversionary yield	**6.00% – 6.50%**	6.00% – 6.50%
		Market rent (per sqm p.a.)	**RMB516 – RMB744**	RMB516 – RMB744
Property 5 – Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 5.00%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.50%
		Market rent (per sqm p.a.)	**RMB2,088 – RMB7,440**	RMB1,980 – RMB7,608

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017
Property 6 – Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a)	**RMB657**	RMB971
		Rental growth p.a.	**0.00% – 3.00% (3.00%)**	0.00% – 3.00% (3.00%)
		Long term vacancy rate	**4.11%**	4.11%
		Discount rate	**6.00%**	6.00%
Property 7 – Lijiang J•LIFE	Term and reversion method	Term yield	**5.50%**	6.00%
		Reversionary yield	**6.00%**	6.50%
		Market rent (per sqm p.a.)	**RMB1,284**	RMB1,356
Property 8 – Shanghai International Shipping Service Center	Market comparable method	Price per sqm	**RMB57,057**	RMB56,875
Property 9 – Qingdao Jinmao Harbour Shopping Center	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB1,632**	RMB1,596
Property 10 – Ningbo Jiayuan Plaza	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB672 – RMB4,800**	RMB716 – RMB7,400
Property 11 – Ningbo Huijin Building	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB880 – RMB4,800**	RMB7,400
Property 12 – Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a)	**RMB1,201**	RMB1,267
		Rental growth p.a.	**3.61%**	5.90%
		Long term vacancy rate	**5.00%**	5.00%
		Discount rate	**6.00%**	6.65%
Property 13 – Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**5.00% – 5.50%**	5.00% – 6.00%
		Market rent (per sqm p.a.)	**RMB2,280 – RMB3,600**	RMB2,316 – RMB4,200
Property 14 – Nanjing Southern Hexi Yuzui Land Parcel No. G97	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**3.00% – 6.00%**	3.00% – 6.00%
		Market rent (per sqm p.a.)	**RMB1,680 – RMB2,544**	RMB1,608 – RMB2,400
Property 15 – Hangzhou Shangtang Project	Residual method	Developer's profit rate	**5.00%**	N/A
	Term and reversion method	Reversionary yield	**2.00%**	N/A
		Market rent (per sqm p.a.)	**RMB1,392**	N/A

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

18. PREPAID LAND LEASE PAYMENTS

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**1,561,118**	1,605,531
Additions		**5,084**	9,513
Recognised during the year	6	**(54,270)**	(53,926)
Carrying amount at 31 December		**1,511,932**	1,561,118
Current portion included in prepayments, other receivables and other assets	24	**(53,686)**	(53,213)
Non-current portion		**1,458,246**	1,507,905

At 31 December 2018, certain of the Group's prepaid land lease payments with a net carrying amount of RMB148,976,000 (2017: RMB160,288,000) were pledged to secure bank loans granted to the Group (note 33).

19. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2018	
At 1 January 2018:	
Cost	**104,894**
Accumulated amortisation and impairment	**(73,644)**
Net carrying amount	**31,250**
Cost at 1 January 2018, net of accumulated amortisation and impairment	**31,250**
Additions	**24,522**
Disposal of subsidiaries (note 43)	**(156)**
Disposals	**(10)**
Impairment (note 6)	**(36)**
Amortisation provided during the year (note 6)	**(10,755)**
At 31 December 2018	**44,815**
At 31 December 2018:	
Cost	**129,244**
Accumulated amortisation and impairment	**(84,429)**
Net carrying amount	**44,815**

	Computer software RMB'000	Others RMB'000	Total RMB'000
31 December 2017			
At 1 January 2017:			
Cost	93,182	1,278	94,460
Accumulated amortisation and impairment	(64,096)	(1,070)	(65,166)
Net carrying amount	29,086	208	29,294
Cost at 1 January 2017, net of accumulated amortisation and impairment	29,086	208	29,294
Additions	14,634	–	14,634
Acquisition of subsidiaries	385	–	385
Disposals	(3,177)	(208)	(3,385)
Amortisation provided during the year (note 6)	(9,678)	–	(9,678)
At 31 December 2017	31,250	–	31,250
At 31 December 2017:			
Cost	104,894	–	104,894
Accumulated amortisation and impairment	(73,644)	–	(73,644)
Net carrying amount	31,250	–	31,250

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2018 RMB'000	2017 RMB'000
Share of net assets	**7,346,601**	2,994,050

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were RMB93,665,000 (2017: RMB26,836,000) and RMB123,095,000 (2017: RMB29,430,000), respectively.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**369,183**	31,410
Share of the joint ventures' total comprehensive income for the year	**369,183**	31,410
Aggregate carrying amount of the Group's investments in the joint ventures	**7,346,601**	2,994,050

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital.

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	**310**	388
Properties under development	**125,226**	92,736
Investment properties	**–**	608,000
Total non-current assets	**125,536**	701,124
Current assets		
Properties held for sale	**424,298**	417,753
Properties under development	**–**	206,594
Prepayments, other receivables and other assets	**17,206**	24,510
Prepaid tax	**18,722**	–
Restricted bank balances	**52,884**	57,446
Cash and cash equivalents	**60,542**	27,416
Total current assets	**573,652**	733,719
Current liabilities		
Trade and bills payables	**402,318**	528,200
Tax payable	**–**	4,490
Other payables and accruals	**99,329**	430,794
Total current liabilities	**501,647**	963,484
Net current assets/(liabilities)	**72,005**	(229,765)
Total assets less current liabilities	**197,541**	471,359
Non-current liabilities		
Deferred tax liabilities	**–**	3,250
Net assets	**197,541**	468,109

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2018 RMB'000	2017 RMB'000
Revenue	**404,048**	2,113,194
Cost of sales	**(290,729)**	(1,669,861)
Gross profit	**113,319**	443,333
Other income and gains	**1,158**	3,016
Selling and marketing expenses	**(10,071)**	(18,983)
Administrative expenses	**(3,971)**	(7,597)
Profit before tax	**100,435**	419,769
Income tax	**(53,604)**	(242,169)
Profit for the year	**46,831**	177,600

21. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**6,698,667**	3,843,690

The amounts due from and to associates are disclosed in note 26 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB43,706,000 (2017: RMB15,985,000) and RMB93,386,000 (2017: RMB49,680,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	**10,749**	31,622
Share of the associates' total comprehensive income for the year	**10,749**	31,622
Aggregate carrying amount of the Group's investments in the associates	**6,698,667**	3,843,690

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**103,147**	58,684
Consumables and tools	**4,024**	4,142
Hotel merchandise	**10,415**	12,301
Trading stock	**2,611**	2,710
	120,197	77,837

23. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**799,241**	925,862
Impairment	**(9,653)**	(5,952)
	789,588	919,910

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group has pledged trade receivables of approximately RMB22,939,000 (2017: RMB23,453,000) to secure a bank loan granted to the Group (note 33).

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**379,557**	169,451
1 to 3 months	**67,386**	24,407
4 to 6 months	**31,266**	10,798
6 months to 1 year	**18,153**	446,119
Over 1 year	**293,226**	269,135
	789,588	919,910

23. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**5,952**	4,528
Impairment losses, net (note 6)	**3,701**	1,424
At 31 December	**9,653**	5,952

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.09%**	**2.96%**	**3.35%**	**34.27%**	**1.21%**
Gross carrying amount (RMB'000)	**768,338**	**3,550**	**1,793**	**25,560**	**799,241**
Expected credit losses (RMB'000)	**728**	**105**	**60**	**8,760**	**9,653**

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured under HKAS 39 as at 31 December 2017 was a provision for individually impaired trade receivables of RMB5,952,000 with a carrying amount before provision of RMB5,952,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default, and only a portion of the receivables is expected to be recovered.

23. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	911,835
Less than 1 month past due	2,881
1 to 3 months past due	2,640
Over 3 months past due	2,554
	919,910

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

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

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	**3,986,959**	7,258,858
Deposits	**1,283,040**	3,202,826
Other receivables	**11,968,726**	2,511,078
Due from non-controlling shareholders	**1,999,221**	2,962,300
Entrusted loans to third parties	**600,000**	3,941,722
Contract costs	**129,167**	–
Prepaid land lease payments (note 18)	**53,686**	53,213
	20,020,799	19,929,997

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

The current balances of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB1,999,221,000, in aggregate, which bear interest at rates from 0.35% to 2.375% per annum (2017: RMB2,962,300,000, in aggregate, which bear interest at rates from 0.35% to 2.75% per annum).

The current balances of the entrustment loans to third parties are unsecured amounts of RMB600,000,000, in aggregate, which bear interest at rate 2.175% per annum (2017: RMB3,941,722,000, in aggregate, which bore interest at rates from 2.175% to 4.75% per annum) and are receivable within one year.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Management expects the contracts costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts as contract costs and amortised when the related revenue are recognised.

As at 31 December 2018, the non-current balance includes a pledged deposit of RMB300,000,000 (2017: RMB300,000,000) made to a local government for performance guarantee, which is not repayable within one year.

25. CONTRACT ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from design and decoration services	**154,500**	**53,985**	–
	154,500	**53,985**	–

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of construction, respectively. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the ongoing provision of design and decoration services at the end of the year.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

25. CONTRACT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2018

Expected credit loss rate **0%**

	RMB'000
Gross carrying amount	**154,500**
Expected credit losses	**–**

26. BALANCES WITH RELATED PARTIES

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

	Notes	2018 RMB'000	2017 RMB'000
Current:			
Due from related parties:			
Ultimate holding company		**–**	34
Intermediate holding company		**360**	830
Immediate holding company		**1,239**	1,182
Fellow subsidiaries	(i)	**295,374**	367,447
Associates	(ii)	**16,148,835**	7,406,067
Joint ventures	(iii)	**20,561,332**	14,487,430
An associate of the Group's ultimate holding company		**87**	4
		37,007,227	22,262,994
Non-current:			
Due from a related party:			
Joint venture	(iv)	**1,967,350**	1,824,350
Due to related parties:			
Ultimate holding company		**2,170**	2,170
Intermediate holding company		**1,823,707**	23,092
Immediate holding company		**7,859,546**	3,945,715
Fellow subsidiaries		**928,582**	54,480
Associates		**1,973,590**	2,053,557
Joint ventures		**3,273,768**	1,054,771
An associate of the Group's ultimate holding company		**24,041**	24,041
		15,885,404	7,157,826

26. BALANCES WITH RELATED PARTIES (Continued)

The current balances of amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from fellow subsidiaries as at 31 December 2018 include an amount of RMB288,000,000, which bears interest at a rate of 2.18% per annum.

(ii) The current balances of amounts due from associates as at 31 December 2018 include the amounts of RMB5,906,345,000, in aggregate, which bear interest at rates ranging from 5.23% to 10.00% per annum.

(iii) The current balances of amounts due from joint ventures as at 31 December 2018 include the amounts of RMB12,746,709,000, in aggregate, which bear interest at rates ranging from 2.42% to 10.26% per annum.

(iv) The non-current balances of amounts due from a joint venture as at 31 December 2018 include an amount of RMB1,967,350,000 (2017: Nil), which bears interest at a rate of 8.00% per annum.

The current balances of amounts due to related parties are unsecured, interest-free and are repayable on demand.

27. OTHER FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Non-current balances		
Unlisted equity investments, at fair value (2017: at cost)	**180,000**	181,225
Other unlisted investments, at fair value (2017: at cost)	**1,059,281**	42,488
	1,239,281	223,713
Current balances		
Unlisted equity investments, at fair value (2017: at cost)	**–**	5,998,007
Other unlisted investments, at fair value (2017: at cost)	**2,199**	6,000
	2,199	6,004,007
	1,241,480	6,227,720

The above equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss (2017: available-for-sale investments).

The above other unlisted investments at 31 December 2018 were wealth management products issued by banks in Mainland China.

28. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**21,175,637**	18,501,592
Time deposits	**4,606,142**	4,140,142
	25,781,779	22,641,734
Less:		
Restricted bank balances	**(4,457,579)**	(3,235,181)
Cash and cash equivalents	**21,324,200**	19,406,553

At 31 December 2018, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB20,783,706,000 (2017: RMB16,177,436,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Included in the Group's cash and cash equivalents are deposits of RMB5,675,285,000 (2017: RMB3,497,067,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.50% per annum (2017: 0.35% to 1.38%). Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 48(a) to the financial statements.

29. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates from 2.18% to 5.23% per annum and are not repayable within one year.

30. TRADE AND BILLS PAYABLES

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

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**10,995,487**	6,537,039
Over 1 year	**697,357**	2,626,078
	11,692,844	9,163,117

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	Notes	2018 RMB'000	2017 RMB'000
Other payables	(a)	**7,661,225**	9,747,368
Receipts in advance		**124,153**	38,928,799
Contract liabilities	(b)	**46,967,258**	–
Accruals		**182,003**	155,531
Due to non-controlling shareholders	(c)	**13,199,767**	8,600,570
Dividend payable to non-controlling shareholders		**23,718**	295,676
		68,158,124	57,727,944

Notes:

(a) Other payables are non-interest-bearing with an average term of not more than one year.

(b) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Sale of properties	46,783,892	36,589,633
Land development	–	2,041,495
Hotel operations	85,241	94,077
Others	98,125	91,677
Total contract liabilities	46,967,258	38,816,882

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties at the end of the year.

(c) The amounts due to non-controlling shareholders as at 31 December 2018 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB11,755,695,000, in aggregate, which bear interest at rates ranging from 4.35% to 9.00% per annum.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 Assets RMB'000	2018 Liabilities RMB'000	2017 Liabilities RMB'000
Forward foreign currency contracts	**–**	**–**	77,440
Interest rate swaps	**847**	**32,795**	–
Cross currency interest rate swaps	**–**	**11,974**	–
	847	**44,769**	77,440

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge under HKFRS 9 – Interest rate risk and foreign currency risk
At 31 December 2018, the Group had interest rate swap agreements in place with a notional amount of HK$3,370,000,000 whereby they pay interest at fixed rates ranged from of 3.19% to 4.45% and receive interest at a variable rate equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.4% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate exposure to HIBOR plus 1.4% variable rate unsecured loan with face value of HK$1,450,000,000, HIBOR plus 1.45% variable rate unsecured loan with face value of HK$960,000,000 and HIBOR plus 1.65% variable rate unsecured loan with face value of HK$960,000,000.

At 31 December 2018, the Group had a cross currency interest rate swap agreement in place with a notional amount of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the termination date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the termination date. The swap is being used to hedge the interest rate and foreign currency risk exposure to the LIBOR plus 1.1% variable rate unsecured loan with face value of US$250,000,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loan (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the cross currency interest rate swap contracts and interest rate swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments

- Different interest rate curves applied to discount the hedged items and hedging instruments

- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

Hedge of net investments in foreign operations
The Groups had entered into various forward currency contracts to manage the Groups' foreign currency risk arising from the net investment in foreign operation. These forward currency contracts are designated as hedging instruments and measured at fair value through profit or loss. Net fair value gains on the hedging instrument of RMB3,083,000 relating to the effective portion of the hedge were recognised in other comprehensive income (2017: net loss of RMB79,713,000) while fair value losses of RMB25,489,000 relating to the ineffective portion were recognised in the statement of profit or loss during the year (2017: RMB2,273,000).

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, unsecured	**2.07-4.79**	**2019**	**4,608,229**	1.67-4.79	2018	4,164,879
Other loans, unsecured	**6.00-7.00**	**2019**	**903,736**	5.70-6.30	2018	12,220,000
Notes, unsecured	**4.27**	**2019**	**700,000**	4.65	2018	1,000,000
Current portion of long term bank loans, secured	**4.75-6.37**	**2019**	**2,743,000**	4.46-6.37	2018	5,352,424
Current portion of long term bank loans, unsecured	**2.27-5.40**	**2019**	**7,909,790**	1.94-5.65	2018	4,161,542
Current portion of long term other loans, unsecured	**3.53-6.30**	**2019**	**5,111,480**	3.53-4.99	2018	72,000
Current portion of long term notes, unsecured	**–**	**–**	**–**	5.38	2018	855,716
			21,976,235			27,826,561
Non-current						
Bank loans, secured	**4.27-9.82**	**2020-2030**	**8,274,893**	4.46-6.65	2019-2030	7,439,473
Bank loans, unsecured	**2.27-5.40**	**2020-2024**	**15,483,902**	1.87-5.65	2019-2024	11,926,341
Other loans, unsecured	**3.53-7.00**	**2020-2034**	**24,343,760**	3.53-6.50	2019-2034	5,900,910
Notes, unsecured	**3.60-6.75**	**2020-2022**	**17,440,818**	3.60-6.75	2019-2022	16,045,961
Domestic corporate bonds, unsecured	**3.55**	**2020**	**453,050**	3.55	2020	2,192,235
			65,996,423			43,504,920
			87,972,658			71,331,481

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**15,261,020**	13,678,845
In the second year	**10,081,975**	10,778,653
In the third to fifth years, inclusive	**12,677,319**	7,183,661
Beyond five years	**999,500**	1,403,500
	39,019,814	33,044,659
Other borrowings repayable:		
Within one year	**6,715,215**	14,147,716
In the second year	**11,034,122**	4,327,286
In the third to fifth years, inclusive	**26,930,507**	16,110,820
Beyond five years	**4,273,000**	3,701,000
	48,952,844	38,286,822
	87,972,658	71,331,481

Notes:

(a) As at 31 December 2018, the Group had loan facilities amounting to RMB130,083,192,000 (2017: RMB95,778,360,000), of which RMB70,078,790,000 (2017: RMB51,237,569,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately RMB310,974,000 (2017: RMB322,653,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB44,927,739,000 (2017: RMB25,829,469,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB140,784,000 (2017: RMB3,023,504,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB12,688,153,000 (2017: RMB12,553,080,000);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of RMB148,976,000 (2017: RMB160,288,000);

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of RMB22,939,000 (2017: RMB23,453,000); and

(vii) pledge of certain of the equity interest in the Company's subsidiaries, which had an aggregate carrying amount at the end of the reporting period of RMB563,668,000 (2017: RMB551,668,000).

(c) Except for the bank and other borrowings amounting to approximately RMB10,890,814,000 (2017: RMB16,768,056,000) which are denominated in United States dollars and RMB15,168,295,000 (2017: RMB4,726,271,000) which are denominated in Hong Kong dollars, all bank and other borrowings are denominated in RMB.

34. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2017	3,244,106
Acquisition of subsidiaries	7,016
Charged to the statement of profit or loss during the year (note 10)	1,105,892
Payment during the year	(325,844)
Transfer from prepaid tax	(397,533)
At 31 December 2017 and 1 January 2018	**3,633,637**
Charged to the statement of profit or loss during the year (note 10)	**1,467,896**
Payment during the year	**(2,004,136)**
Transfer from prepaid tax	**(416,509)**
At 31 December 2018	**2,680,888**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale 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.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	3,423,487	479,925	624,024	58,337	111,826	112,786	4,810,385
Acquisition of subsidiaries	–	–	99,577	–	–	–	99,577
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	19,945	52,664	(14,489)	83,860	4,008	(13,997)	131,991
Deferred tax charged to the statement of comprehensive income during the year	319	–	–	–	–	–	319
Disposal of subsidiaries (note 43)	(5,927)	(1,821)	–	–	–	–	(7,748)
Gross deferred tax liabilities at 31 December 2017	**3,437,824**	**530,768**	**709,112**	**142,197**	**115,834**	**98,789**	**5,034,524**
Effect of adoption of HKFRS 15	**–**	**–**	**–**	**–**	**–**	**29,606**	**29,606**
At 1 January 2018 (restated)	**3,437,824**	**530,768**	**709,112**	**142,197**	**115,834**	**128,395**	**5,064,130**
Acquisition of subsidiaries (note 42)	**–**	**–**	**88,936**	**–**	**–**	**–**	**88,936**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**58,339**	**75,017**	**(65,760)**	**–**	**10,290**	**18,476**	**96,362**
Deferred tax charged to the statement of comprehensive income during the year	**4,324**	**–**	**–**	**–**	**–**	**–**	**4,324**
Gross deferred tax liabilities at 31 December 2018	**3,500,487**	**605,785**	**732,288**	**142,197**	**126,124**	**146,871**	**5,253,752**

35. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	816,957	223,246	237,423	99,815	1,377,441
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	67,346	(100,980)	244,086	(74,102)	136,350
Disposal of subsidiaries (note 43)	–	(9,395)	–	–	(9,395)
Gross deferred tax assets at 31 December 2017 and 1 January 2018	**884,303**	**112,871**	**481,509**	**25,713**	**1,504,396**
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	**(221,819)**	**253,622**	**382,404**	**(2,295)**	**411,912**
Disposal of subsidiaries (note 43)	**–**	**(5,586)**	**–**	**–**	**(5,586)**
Gross deferred tax assets at 31 December 2018	**662,484**	**360,907**	**863,913**	**23,418**	**1,910,722**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

35. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,897,894**	1,491,568
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,240,924)**	(5,021,696)
	(3,343,030)	(3,530,128)

The Group also has tax losses arising in Mainland China of RMB3,414,677,000 (2017: RMB2,246,775,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2017: RMB142,197,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB32,369,182,000 at 31 December 2018 (2017: RMB21,822,710,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to RMB4,015,497,000). The direct transaction costs attributable to the perpetual convertible securities amounted to RMB57,936,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities. The conversion price was adjusted from HK$2.83 to HK$2.80 per ordinary share with effect from 20 June 2014, being the date immediately after the record date fixed for the purpose of determining shareholder' entitlement to the 2013 final dividends. The conversion price was adjusted from HK$2.80 to HK$2.74 per ordinary share with effect from 18 July 2015, being the date immediately after the record date fixed for the purpose of determining shareholders' entitlement to the 2014 final dividends.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Hong Kong Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or financial assets at fair value through profit or loss to the holders of perpetual convertible securities due to redemption other than an unforeseen liquidation of the Company or Franshion Capital Limited. Accordingly, the perpetual convertible securities are classified as equity instruments.

On 14 June 2016, the Group partially repurchased perpetual convertible securities with an aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,319,187,000), at the total consideration of US$218,340,000 (equivalent to approximately RMB1,439,925,000).

On 27 April 2017, the Group repurchased the remaining perpetual convertible securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,638,374,000) at the total consideration of US$441,133,000 (equivalent to approximately RMB3,036,982,000).

37. PERPETUAL SECURITIES

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

37. PERPETUAL SECURITIES (Continued)

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to RMB11,566,000).

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd.

The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018. The issuer, may at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

(f) 2018 Senior Guaranteed Perpetual Capital Securities

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,068,170,000). The direct transaction costs attributable to the issuance amounted to US$1,997,700 (equivalent to approximately RMB13,772,000).

The securities confer a right to receive distributions at the 6.90 % per annum payable semi-annually in arrears beginning on 4 December 2018 with no stated maturity date. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(g) 2018 Domestic Unsecured Perpetual Medium-Term Notes

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the unsecured perpetual medium-term notes, with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB6,882,000.

The notes confer a right to receive distribution at 5.00% per annum payable annually beginning on 20 December 2018 and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the securities in (a) to (g) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these securities are classified as equity instruments.

38. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
11,553,528,329 (2017: 10,675,477,349) ordinary shares	**10,469,821**	9,729,632

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2017 and 1 January 2018	**10,675,477,349**	17,702,376
Issue of new shares (note a)	**900,124,000**	2,701,809
Share options exercised (note b)	**5,026,980**	12,267
Shares repurchased (note c)	**(27,100,000)**	–
31 December 2018	**11,553,528,329**	20,416,452

Notes:

(a) The Company issued 900,124,000 new shares at the placing price of HK$3.7 per share on with net proceeds of approximately RMB2,701,809,000.

(b) 5,026,980 share options were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share (note 39), resulting in the issue of 5,026,980 shares for a total cash consideration, before expenses, of RMB10,087,000. An amount of RMB2,180,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(c) The Company repurchased its 27,100,000 shares on the Hong Kong Stock Exchange in 2018 for a total consideration of RMB88,011,000 which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance (Cap.622). The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares of RMB88,011,000 has been charged to retained profits of the Company.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the Scheme continue to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

39. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	2018		2017	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.21**	**155,597,880**	2.21	184,374,920
Forfeited during the year	**2.20**	**(12,216,000)**	2.56	(25,110,300)
Exercised during the year	**2.27**	**(5,026,980)**	2.44	(3,666,740)
At 31 December	**2.32**	**138,354,900**	2.21	155,597,880

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.27 per share (2017: HK$2.44 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options	Exercise price* HK$ per share	Exercise period
2,749,800	**2.44**	**28 November 2014 to 27 November 2019**
3,664,100	**2.44**	**28 November 2015 to 27 November 2019**
41,409,000	**2.196**	**17 October 2018 to 16 October 2023**
45,128,000	**2.196**	**17 October 2019 to 16 October 2023**
45,404,000	**2.196**	**17 October 2020 to 16 October 2023**
138,354,900		

2017

Number of options	Exercise price* HK$ per share	Exercise period
3,574,240	2.44	28 November 2014 to 27 November 2019
4,443,640	2.44	28 November 2015 to 27 November 2019
49,092,000	2.196	17 October 2018 to 16 October 2023
49,092,000	2.196	17 October 2019 to 16 October 2023
49,396,000	2.196	17 October 2020 to 16 October 2023
155,597,880		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

39. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$25,912,000 (equivalent to RMB21,911,000) (2017: RMB24,690,000) during the year ended 31 December 2018.

No other feature of the options granted was incorporated into the measurement of fair value.

The 5,026,980 share options exercised during the year resulted in the issue of 5,026,980 ordinary shares of the Company and new share capital of HK$14,151,000 (equivalent to RMB12,267,000) (before issue expenses), as further detailed in note 38 to the financial statements.

At the end of the reporting period, the Company had 138,354,900 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 138,354,900 additional ordinary shares of the Company and additional share capital of HK$305,392,000 (equivalent to RMB267,583,000) (before issue expenses).

Subsequent to the end of the reporting period, a new share option scheme (the "New Scheme") was adopted by the Company on 29 January 2019. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted are vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Upon the lapse of the vesting period, the share options are exercisable until 7 February 2026. The price of the Company's shares at the date of grant was HK$3.99 per share.

40. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 178 to 179 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Percentage of equity interest held by non-controlling interests	**50%**	**73.50%**	**33.23%**
Profit/(loss) for the year allocated to non-controlling interests	**13,656**	**(22,878)**	**83,214**
Dividends declared to non-controlling interests	**–**	**–**	**203,469**
Accumulated balances of non-controlling interests at the reporting date	**1,594,820**	**3,272,954**	**1,926,215**

	SISSC RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2017			
Percentage of equity interest held by non-controlling interests	50%	73.50%	33.23%
Profit/(loss) for the year allocated to non-controlling interests	54,757	(9,509)	73,025
Dividends declared to non-controlling interests	1,483,021	–	200,209
Accumulated balances of non-controlling interests at the reporting date	1,725,585	3,295,832	2,173,439

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Revenue	–	–	2,564,936
Total expenses	27,312	(31,127)	(2,314,518)
Profit/(loss) for the year	27,312	(31,127)	250,418
Total comprehensive income/(loss) for the year	27,312	(31,127)	(36,245)
Current assets	7,981,432	8,391,818	1,013,185
Non-current assets	2,813,495	11,152	17,018,215
Current liabilities	(7,605,287)	(2,890,136)	(8,687,414)
Non-current liabilities	–	(1,056,973)	(3,514,154)
Net cash flows from/(used in) operating activities	1,139,793	(1,004,438)	697,784
Net cash flows used in investing activities	(1,601,639)	(551,378)	(211,410)
Net cash flows (used in)/from financing activities	(1,031,489)	1,718,506	(647,208)
Net (decrease)/increase in cash and cash equivalents	(1,493,335)	162,690	(160,834)

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

	SISSC RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2017			
Revenue	–	–	2,595,448
Total expenses	109,514	(12,938)	(2,375,505)
Profit/(loss) for the year	109,514	(12,938)	219,943
Total comprehensive income/(loss) for the year	109,514	(12,938)	562,079
Current assets	6,219,136	3,122,842	1,149,240
Non-current assets	315,875	4,299,625	17,179,095
Current liabilities	(3,083,842)	(2,898,432)	(8,059,321)
Non-current liabilities	–	(36,973)	(3,790,632)
Net cash flows from/(used in) operating activities	2,625,246	(7,127,217)	890,714
Net cash flows used in investing activities	(1,983,402)	(336)	(293,568)
Net cash flows (used in)/from financing activities	(5,964,710)	7,255,277	(486,366)
Net (decrease)/increase in cash and cash equivalents	(5,322,866)	127,724	110,780

42. BUSINESS COMBINATION

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures (collectively referred to as the "Acquirees"). The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The Group remeasured the fair value of the equity interest held at the date of acquisition, and fair value gains of RMB101,775,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2018 (note 5).

The Group has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	1,649
Properties under development	14	12,993,213
Prepayments, other receivables and other assets		845,843
Prepaid tax		69,291
Restricted bank balances		457,162
Cash and cash equivalents		500,544
Trade and bills payables		(90,526)
Other payables and accruals		(11,077,532)
Interest-bearing bank and other borrowings	44	(325,920)
Deferred tax liabilities	35	(88,936)
Total identifiable net assets at fair value		3,284,788
Non-controlling interests		(1,419,382)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5,6	(74,992)
		1,790,414
Satisfied by:		
Cash		526,639
Fair value of equity interest previously held as investments in joint ventures		1,263,775
Total purchase consideration		1,790,414

The fair values of its other receivables as at the date of acquisition amounted RMB845,843,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

42. BUSINESS COMBINATION (Continued)

The Group incurred transaction costs of RMB633,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group recognised a gain on bargain purchase of approximately RMB74,992,000 in the consolidated statement of profit or loss for the year ended 31 December 2018, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	**(526,639)**
Cash and bank balances acquired	**500,544**
Net inflow of cash and cash equivalents included in cash flows used in investing activities	**(26,095)**
Transaction costs of the acquisition included in cash flows used in operating activities	**(633)**
	(26,728)

Since the acquisition, the Acquirees contributed RMB647,325,000 to the Group's revenue and RMB41,752,000 to the consolidated profit for the year ended 31 December 2018 in aggregate.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB38,732,943,000 and RMB7,370,825,000, respectively.

43. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2018 and 31 December 2017, the Group lost control over certain subsidiaries.

	Notes	2018 RMB'000	2017 RMB'000
Net assets disposed of:			
Property, plant and equipment	13	**3,319**	1,047
Intangible assets	19	**156**	–
Investment properties	17	**–**	242,858
Deferred tax assets	35	**5,586**	9,395
Cash and cash equivalents		**2,198,191**	64,108
Properties under development	14	**11,421,201**	10,452,746
Prepayments, other receivables and other assets		**430,023**	2,526
Prepaid tax		**44,735**	–
Trade and bills payables		**(200,719)**	(520,964)
Other payables and accruals		**(10,046,053)**	(3,300)
Tax payable		**–**	(1,061)
Deferred tax liabilities	35	**–**	(7,748)
Interest-bearing bank and other borrowings	44	**(2,822,952)**	(3,388,000)
		1,033,487	6,851,607
Non-controlling interests		**–**	(2,982,475)
		1,033,487	3,869,132
Gain on disposal of subsidiaries	5	**72,240**	2,561,091
		1,105,727	6,430,223
Satisfied by:			
Cash		**12,000**	432,216
Fair value of interests retained by the Group		**1,093,727**	5,998,007
		1,105,727	6,430,223

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2018 RMB'000	2017 RMB'000
Cash consideration	**12,000**	432,216
Cash and cash equivalents disposed of	**(2,198,191)**	(64,108)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(2,186,191)**	368,108

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

2018

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000
At 1 January 2018	**71,331,481**	**12,591,390**	**–**
Changes from financing cash flows	**17,562,591**	**3,264,488**	**(1,446,749)**
Foreign exchange movement	**1,575,618**	**–**	**–**
2017 final dividends	**–**	**–**	**847,811**
2018 interim dividends	**–**	**–**	**598,938**
Increase arising from acquisition of subsidiaries (note 42)	**325,920**	**–**	**–**
Decrease arising from disposal of subsidiaries (note 43)	**(2,822,952)**	**–**	**–**
At 31 December 2018	**87,972,658**	**15,855,878**	**–**

2017

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000
At 1 January 2017	47,924,770	–	–
Changes from financing cash flows	25,177,584	12,591,390	(856,040)
Foreign exchange movement	(1,912,796)	–	–
2016 final dividends	–	–	451,307
Special 2017 interim dividends	–	–	404,733
Increase arising from acquisition of subsidiaries	3,529,923	–	–
Decrease arising from disposal of subsidiaries	(3,388,000)	–	–
At 31 December 2017	71,331,481	12,591,390	–

45. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB23,836,930,000 (2017: RMB19,203,385,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,267,228**	1,064,660
In the second to fifth years, inclusive	**1,994,945**	2,138,865
After five years	**313,302**	420,969
	3,575,475	3,624,494

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**41,929**	33,803
In the second to fifth years, inclusive	**59,144**	41,039
	101,073	74,842

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46(b) above, the Group had the following commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Properties under development	**31,098,998**	17,642,236
Land under development	**1,566,159**	1,373,963
Property, plant and equipment	**9,789**	5,168
Capital contributions to joint ventures and associates	**2,672,607**	464,990
	35,347,553	19,486,357

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2018 RMB'000	2017 RMB'000
Fellow subsidiaries:			
Rental income*	(i)	**202,030**	156,744
Property management fee income*	(i)	**38,051**	36,797
Interest expense	(ii)	**38,619**	12,755
Interest income*	(iii)	**14,359**	30,378
Building decoration service income	(i)	**19,270**	1,597
The immediate holding company:			
Rental expense	(i)	**4,406**	4,666
Interest expense	(ii)	**121,115**	74,135
An intermediate holding company:			
Rental income*	(i)	**88,156**	90,307
Property management fee income*	(i)	**11,247**	15,745
Building decoration service income	(i)	**–**	901
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,910
Property management fee income*	(i)	**–**	121
Joint ventures:			
Interest income	(iv)	**755,575**	697,523
Consulting fee expense	(i)	**142,586**	147,432
Rental income	(i)	**1,610**	1,673
Property management fee income	(i)	**42,224**	27,713
Building decoration service income	(i)	**74,455**	26,542
Consulting fee income	(i)	**30,360**	16,634
Associates:			
Interest income	(iv)	**134,657**	61,643
Interest expense	(v)	**11**	17,554
Property management fee income	(i)	**31,135**	15,105
Building decoration service income	(i)	**78,521**	29,245
Consulting fee income	(i)	**21,504**	12,376
An associate of the Group's ultimate holding company:			
Rental income	(i)	**36,740**	58,346
Property management fee income	(i)	**4,976**	2,688

48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 3.01% to 3.10% (2017: 1.54% to 8.35%) per annum.

(iii) The interest income was determined at rates ranging from 0.35% to 2.18% (2017: 0.35% to 2.18%) per annum.

(iv) The interest income was determined at rates ranging from 2.46% to 10.26% (2017: 2.45% to 12%) per annum.

(v) The interest expense was charged at a rate of 7.00% (2017: 7.00%) per annum.

* A certain portion of these related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Short term employee benefits	**59,904**	38,737
Post-employment benefits	**2,444**	2,529
Equity-settled share option expense	**1,499**	1,656
Total compensation paid to key management personnel	**63,847**	42,922

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2018				2017		
	Financial assets at fair value through profit or loss						
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Financial assets							
Trade receivables	–	–	789,588	789,588	919,910	–	919,910
Financial assets included in prepayments, other receivables and other assets	–	–	16,150,987	16,150,987	12,932,926	–	12,932,926
Due from related parties	–	–	38,974,577	38,974,577	24,087,344	–	24,087,344
Due from non-controlling shareholders	–	–	3,625,331	3,625,331	3,001,473	–	3,001,473
Other financial assets	1,061,480	180,000	–	1,241,480	–	6,227,720	6,227,720
Derivative financial instruments	–	847	–	847	–	–	–
Restricted bank balances	–	–	4,457,579	4,457,579	3,235,181	–	3,235,181
Cash and cash equivalents	–	–	21,324,200	21,324,200	19,406,553	–	19,406,553
	1,061,480	180,847	85,322,262	86,564,589	63,583,387	6,227,720	69,811,107

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	2018			2017		
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities						
Trade and bills payables	**–**	**11,692,844**	**11,692,844**	–	9,163,117	9,163,117
Financial liabilities included in other payables and accruals (note 31)	**–**	**20,884,710**	**20,884,710**	–	18,643,614	18,643,614
Derivative financial instruments	**44,769**	**–**	**44,769**	77,440	–	77,440
Due to related parties	**–**	**15,885,404**	**15,885,404**	–	7,157,826	7,157,826
Interest-bearing bank and other borrowings	**–**	**87,972,658**	**87,972,658**	–	71,331,481	71,331,481
	44,769	**136,435,616**	**136,480,385**	77,440	106,296,038	106,373,478

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets				
Derivative financial instruments	**847**	–	**847**	–
Other financial assets	**1,241,480**	6,227,720	**1,241,480**	6,227,720
Financial liabilities				
Derivative financial instruments	**44,769**	77,440	**44,769**	77,440
Interest-bearing bank and other borrowings	**87,972,658**	71,331,481	**88,668,471**	71,856,465

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, wealth management products included in other financial assets at fair value through profit or loss, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through profit or loss, which were previously classified as available-for-sale equity investments included in other financial assets, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

	2018 RMB'000	2017 RMB'000
Derivative financial instruments	**847**	–
Other financial assets	**1,241,480**	6,227,720

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2018 (2017: Nil).

Liabilities measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

As at 31 December 2018

	2018 RMB'000	2017 RMB'000
Derivative financial instruments	**44,769**	77,440

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value is disclosed as at 31 December 2018 (2017: Nil).

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**18,589,681**	**70,078,790**	**–**	**88,668,471**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	20,618,896	51,237,569	–	71,856,465

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and interest rate swaps. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations, and to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2018		
RMB	**25**	**(48,002)**
US$	**25**	**(6,343)**
HK$	**25**	**(38,205)**
RMB	**(25)**	**48,002**
US$	**(25)**	**6,343**
HK$	**(25)**	**38,205**
31 December 2017		
RMB	25	(40,382)
US$	25	(6,117)
HK$	25	(4,155)
RMB	(25)	40,382
US$	(25)	6,117
HK$	(25)	4,155

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars and Hong Kong dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group have used derivative financial instruments to reduce the exposure to foreign currency borrowings.

The Group entered into the derivative financial instruments in respect of the net foreign investment and cash flow hedges to minimise the foreign currency exposures as detailed in note 32 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2018 and 2017.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2018 RMB'000	Increase/ (decrease) in profit for the year 2017 RMB'000
+1%	**(121,208)**	(171,064)
-1%	**121,208**	171,064

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2018 and 2017.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2018 RMB'000	Increase/ (decrease) in profit for the year 2017 RMB'000
+5%	**1,084**	94,243
-5%	**(1,084)**	(94,243)

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	154,500	154,500
Trade receivables*	–	–	–	789,588	789,588
Financial assets included in prepayments, other receivables and other assets					
– Normal**	16,150,987	–	–	–	16,150,987
Other financial assets	1,241,480	–	–	–	1,241,480
Restricted bank balances					
– Not yet past due	4,457,579	–	–	–	4,457,579
Cash and cash equivalents					
– Not yet past due	21,324,200	–	–	–	21,324,200
	43,174,246	–	–	944,088	44,118,334

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from its land development revenue, sale of properties, leasing activities, provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018				
	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
Interest-bearing bank and other borrowings	**25,545,021**	**23,446,626**	**42,473,085**	**6,778,898**	**98,243,630**
Trade and bills payables	**11,692,844**	**–**	**–**	**–**	**11,692,844**
Other payables	**20,884,710**	**–**	**–**	**–**	**20,884,710**
Derivative financial instruments	**–**	**11,974**	**32,795**	**–**	**44,769**
Due to related parties	**15,885,404**	**–**	**–**	**–**	**15,885,404**
	74,007,979	**23,458,600**	**42,505,880**	**6,778,898**	**146,751,357**

	2017				
	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
Interest-bearing bank and other borrowings	30,724,112	16,736,510	25,292,289	6,650,654	79,403,565
Trade and bills payables	9,163,117	–	–	–	9,163,117
Other payables	18,643,614	–	–	–	18,643,614
Derivative financial instruments	77,440	–	–	–	77,440
Due to related parties	7,157,826	–	–	–	7,157,826
	65,766,109	16,736,510	25,292,289	6,650,654	114,445,562

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain financial assets at fair value through profit or loss. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Notes	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	33	**87,972,658**	71,331,481
Less: Cash and cash equivalents, Restricted bank balances and certain other financial assets		**(26,783,978)**	(22,647,734)
Net debt		**61,188,680**	48,683,747
Total equity		**78,265,267**	66,443,712
Add: Amounts due to the immediate holding company	26	**7,859,546**	3,945,715
Adjusted capital		**86,124,813**	70,389,427
Net debt-to-adjusted-capital ratio		**71.0%**	69.2%

52. EVENT AFTER THE REPORTING PERIOD

On 22 February 2019, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, completed the issue of the domestic corporate bonds with an aggregate principal amount of RMB1,800,000,000. The domestic corporate bonds have a term of 5 years with a fixed rate of 3.72% per annum, and the issuer shall be entitled to adjust the rate and the investors shall be entitled to sell back the domestic corporate bonds at the end of the third year.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**84**	69
Investments in subsidiaries	**23,303,848**	21,557,784
Total non-current assets	**23,303,932**	21,557,853
CURRENT ASSETS		
Due from subsidiaries	**53,347,891**	35,172,949
Prepayments, other receivables and other assets	**25,815**	8,330
Due from related parties	**1,239**	1,182
Cash and cash equivalents	**365,650**	531,607
Total current assets	**53,740,595**	35,714,068
CURRENT LIABILITIES		
Other payables and accruals	**307,575**	210,511
Due to related parties	**7,880,281**	3,965,460
Interest-bearing bank and other borrowings	**3,405,733**	1,698,953
Total current liabilities	**11,593,589**	5,874,924
NET CURRENT ASSETS	**42,147,006**	29,839,144
TOTAL ASSETS LESS CURRENT LIABILITIES	**65,450,938**	51,396,997
NON-CURRENT LIABILITIES		
Due to subsidiaries	**26,399,240**	23,645,457
Interest-bearing bank and other borrowings	**17,302,455**	8,100,689
Derivative financial instruments	**32,794**	–
Total non-current liabilities	**43,734,489**	31,746,146
Net assets	**21,716,449**	19,650,851
EQUITY		
Share capital	**20,416,452**	17,702,376
Reserves (note)	**1,299,997**	1,948,475
Total equity	**21,716,449**	19,650,851

Li Congrui	**Jiang Nan**
Director	*Director*

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	(2,308,783)	–	18,197	2,956,359	665,773
Final 2016 dividend declared	–	–	–	(836,219)	(836,219)
Special 2017 interim dividend declared exercise of share options	–	–	–	(749,923)	(749,923)
Total comprehensive income for the year	1,091,825	–	–	1,755,161	2,846,986
Equity-settled share option arrangements	–	–	24,690	–	24,690
Exercise of share options	–	–	(2,832)	–	(2,832)
Transfer of share option reserve upon the forfeiture of share options	–	–	(4,735)	4,735	–
At 31 December 2017 and 1 January 2018	(1,216,958)	–	35,320	3,130,113	1,948,475
Repurchases of shares	–	–	–	(88,011)	(88,011)
Final 2017 dividend declared	–	–	–	(1,700,592)	(1,700,592)
2018 interim dividend declared	–	–	–	(1,201,481)	(1,201,481)
Total comprehensive income for the year	1,069,950	(32,794)	–	1,284,719	2,321,875
Equity-settled share option arrangements	–	–	21,911	–	21,911
Exercise of share options	–	–	(2,180)	–	(2,180)
Transfer of share option reserve upon the forfeiture of share options	–	–	(3,364)	3,364	–
At 31 December 2018	(147,008)	(32,794)	51,687	1,428,112	1,299,997

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

Five-Year Financial Information

31 December 2018

I. MAJOR INFORMATION OF STATEMENTS OF PROFIT OR LOSS

	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	2017 RMB'000	2018 RMB'000
RESULTS					
Revenue	23,398,918	17,770,703	27,304,073	31,074,845	**38,732,667**
Cost of sales	(14,245,624)	(10,899,486)	(17,099,317)	(21,034,199)	**(24,194,452)**
Gross profit	9,153,294	6,871,217	10,204,756	10,040,646	**14,538,215**
Other income and gains	2,260,868	2,190,084	1,493,026	3,850,901	**2,722,393**
Selling and marketing expenses	(724,289)	(787,335)	(804,573)	(977,448)	**(1,051,610)**
Administrative expenses	(1,329,382)	(1,235,896)	(1,561,732)	(2,143,024)	**(2,417,509)**
Other expenses and losses, net	(20,716)	(88,333)	(239,810)	(316,886)	**(36,146)**
Finance costs	(967,605)	(456,415)	(728,662)	(1,692,438)	**(2,420,573)**
Share of profits and losses of:					
Joint ventures	(1,047)	(12,999)	(43,748)	31,410	**369,183**
Associates	(24,889)	(72,066)	(28,459)	31,622	**10,749**
PROFIT BEFORE TAX	8,346,234	6,408,257	8,290,798	8,824,783	**11,714,702**
Income tax expense	(3,075,725)	(2,307,172)	(3,717,116)	(3,674,581)	**(4,337,978)**
PROFIT FOR THE YEAR	5,270,509	4,101,085	4,573,682	5,150,202	**7,376,724**
Attributable to:					
Owners of the parent	4,193,898	3,045,520	2,535,515	3,977,712	**5,210,888**
Non-controlling interests	1,076,611	1,055,565	2,038,167	1,172,490	**2,165,836**
	5,270,509	4,101,085	4,573,682	5,150,202	**7,376,724**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	2017 RMB'000	2018 RMB'000
Total non-current assets	64,979,036	71,328,044	80,621,263	104,766,510	**124,211,956**
Total current assets	43,908,442	61,798,355	86,282,853	117,277,869	**147,426,287**
Total assets	108,887,478	133,126,399	166,904,116	222,044,379	**271,638,243**
Total current liabilities	26,746,641	45,413,601	71,382,264	107,074,051	**122,090,860**
Total non-current liabilities	37,700,500	38,364,088	39,777,772	48,526,616	**71,282,116**
Total liabilities	64,447,141	83,777,689	111,160,036	155,600,667	**193,372,976**
Equity attributable to:					
Owners of the parent	29,702,128	33,547,922	31,626,291	32,852,097	**35,796,236**
Non-controlling interests	14,738,209	15,800,788	24,117,789	33,591,615	**42,469,031**
Total equity	44,440,337	49,348,710	55,744,080	66,443,712	**78,265,267**

PROTECT ENVIRONMENT, CREATE FUTURE TOGETHER

For the reason of good corporate citizenship, we print our 2018 Annual Report with paper from responsible source to fulfill our corporate responsibility and create a bright future for our next generation.

JINMAO
中国金茂

CHINA JINMAO HOLDINGS GROUP LIMITED

Rooms 4702-4703, 47th Floor, Office Tower, Convention Plaza,
No. 1 Harbour Road, Wan Chai, Hong Kong

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C021898