融信中國控股有限公司
RONSHINE CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 3301

2018 ANNUAL REPORT

BUILD WITH STYLE GROW IN STRENGTH

RONSHINE CHINA 15TH ANNIVERSARY

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ou Zonghong
(Chairman and Chief Executive Officer)
Mr. Wu Jian *(Vice President)*
(resigned on 16 November 2018)
Mr. Lin Junling *(Vice President)*
(resigned on 16 November 2018)
Ms. Zeng Feiyan
Mr. Ruan Youzhi (appointed on 16 November 2018)
Mr. Zhang Lixin *(Chief Financial Officer)*
(appointed on 16 November 2018)
Ms. Yu Lijuan (appointed on 22 March 2019)

Non-Executive Director

Ms. Chen Shucui (appointed on 18 June 2018)

Independent Non-Executive Directors

Dr. Lo Wing Yan William
Mr. Ren Yunan
Mr. Qu Wenzhou
Mr. Ruan Weifeng (appointed on 22 March 2019)

AUDIT COMMITTEE

Mr. Qu Wenzhou *(Chairman)*
Dr. Lo Wing Yan William
Mr. Ren Yunan

REMUNERATION COMMITTEE

Mr. Ren Yunan *(Chairman)*
Mr. Ou Zonghong
Mr. Qu Wenzhou

NOMINATION COMMITTEE

Mr. Ou Zonghong *(Chairman)*
Dr. Lo Wing Yan William
Mr. Qu Wenzhou

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
FenXun Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Building L1B, Hongqiao World Center,
Lane 1588, Zhuguang Road
Qingpu District
Shanghai
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1210, 12th Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Zeng Feiyan (resigned on 20 February 2019)
Mr. Yu Zuoyi (appointed on 20 February 2019)
Ms. Ng Wing Shan *(FCS, FICS)*

AUTHORISED REPRESENTATIVES

Mr. Ou Zonghong
Ms. Ng Wing Shan

PRINCIPAL BANKERS

Bank of China Limited

Agricultural Bank of China Limited

Industrial and Commercial Bank of China Limited

WEBSITE

www.rongxingroup.com

STOCK CODE

STOCK

HKEx: 3301

BOND

US$170,265,000 6.95% Senior Notes due 2019
Common Code: 152895577
ISIN: XS1528955773

US$409,534,000 8.25% Senior Notes due 2021
Common Code: 174766592
ISIN: XS1747665922

US$200,000,000 11.5% Senior Notes due 2020
Common Code: 192599709
ISIN: XS1925997097

US$600,000,000 11.25% Senior Notes due 2021
Common Code: 195081972
ISIN: XS1950819729

US$300,000,000 10.5% Senior Notes due 2022
Common Code: 195748144
ISIN: XS1957481440

Major Honours and Awards

Corporate Brand

Ranking 22nd among the "China's Top 30 Real Estate Developers in 2018"
China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal

"2018 Best 30 of China Real Estate Developers Brand Value"
China Real Estate Industry Association

"2018 China Top 10 Comprehensive Developments of Real Estate Enterprises"
China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal

Ranking 5th among the "2018 China Top 100 Real Estate Developers – Growth Enterprises TOP 10"
Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

Ranking 2nd among the "China's Top 5 Fastest Growing Listed Real Estate Developers in 2018"
China Real Estate Industry Association and China Real Estate Appraisal

"2018 Hong Kong-listed Mainland Real Estate Companies – TOP 10 of Investment Value"
Development Research Center of the State Council, Real Estate Research
Institute of Tsinghua University and China Index Academy

"2018 Most Valuable Real Estate Company of Golden Hong Kong Stocks"
Zhitongcaijing

Star Projects

China legend (融信 • 海月江潮)

"2018 China Top 10 Real Estate Residential Project Brand Value"
Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

Ronshine House ARC (融信 • 公館ARC)

"City Mansion Comprehensive Award"
Dichanxian

The White House (融信 • 白宮), Nice Villa (融信 • 有墅), Xiaoshan Residence (融信 • 蕭山公館), Poly Century City (融信保利 • 創世紀), The Genesis (Shengzhou Creating Century) (融信觀河盛世府(融信 • 嵊州創世紀))

"2017-2018 Fourth Real Estate Design Award ·China Excellence Award"
DJSER.com

Ronshine Mansion

"2018 China Real Estate Outstanding Brand Project"
China Real Estate Industry Association

Ronshine Century Series (世紀系) Products

"2018 Top 10 Light Luxury Boutique Products"
Leju Caijing

Corporate Social Responsibility

"Annual Targeted Poverty Alleviation Innovative Enterprise"
Southern Weekly

"2018 Social Responsibility Contribution Award"
International Financial News

"2018 Best Employer in Real Estate Enterprises of China"
E-House

"2018 CSR Targeted Poverty Alleviation Award"
Xinhua Net

Chairman's Statement

Ocean City (Xiamen)

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Ronshine China Holdings Limited (the "**Company**" or "**Ronshine**", together with its subsidiary, collectively the "**Group**"), I am pleased to present to you the annual results of the Group for the year ended 31 December 2018 (the "**Year**").

Market Review

In 2018, the global economy kept evolving, while the growth momentum slowed down in the second half of the year in circumstances of trade friction and other uncertainties. According to the statistics from The International Monetary Fund, the global gross domestic product ("**GDP**") growth rate in 2018 is basically the same with 2017. Relatively, China's economy has maintained a good momentum of overall stability and progress. In 2018, China's GDP grew at a compound annual growth rate of 6.6% to over RMB90 trillion for the first time ever. China has the highest GDP growth rate among the five largest economies. China's economic growth contributes nearly 30% to world economic growth and continues to be the biggest contributor to world economy growth.

During the Year, the PRC government resolutely implemented the policy principle of "housing is for living in, not for speculation", and continued to introduce regulatory policies to curb the overheated property market. Nearly 450 control policies have been implemented throughout the Year, which marks the most intensive year for implementation of real estate control policies. Notwithstanding the strict control policies, the sales data of the real estate market in Mainland China continued to grow positively in 2018. The sales of commodity housing amounted to RMB14,997.3 billion for the Year, representing an increase of 12.2% as compared with last year, while the sales area amounted to 1,716.54 million sq.m. for the Year, representing an increase

Nature and City (Zhengzhou)

China Legend (Fuzhou)

Flow Era (Hangzhou)

of 1.3% as compared with last year. The real estate industry has gradually stabilized, returning to the nature of "residential", and "quality" has mainstreamed across the new era of the industry, which provides a great opportunity for the development of quality real estate developers like us.

Business Review

Ronshine adheres to quality and unwaveringly upholds the vision of "become a property developer leader with quality and a service provider for an ideal life". With the implementation of the national expansion strategy, the Group became a property developer with contracted sales of RMB100 billion for the Year and achieved a fruitful outcome through the development strategy of "focus, balance and light assets". During the Year, the Group continued to cultivate the eight core urban agglomerations with its presence, namely the west coast of the Straits, the Yangtze River Delta, middle reaches of the Yangtze River, the Greater Bay Area, the Beijing-Tianjin-Hebei Region, Zhongyuan (Central Plain), Chengdu and Chongqing Region and Northwest China urban agglomerations, laying a solid foundation for the fulfilment of "1+N" strategy in the core metropolitan areas of these core first-and-second tier cities. The Company proactively expanded from the cities with existing business presence to surrounding satellite cities with obvious spillover demand, net inflows of population and emerging industries, meanwhile focusing on creating benchmark innovative city projects of high quality.

The Group identified five product series represented by "Century Series (世紀系)","House Series (公館系)"), "Mansion Series (府系)", "Lan Series (瀾系)" and "Center Series (中心系)", and successfully enhanced its product premiums and overall market share by creation of high-end quality residential properties and introduction of flexible marketing strategies. During the Year, leveraging on its brand advantages and market position, the Group together with its joint ventures and associates secured contracted sales amount of approximately RMB121.88 billion, representing an increase of approximately 73.35% in 2018 as compared with last year, which surpassed its annual target of RMB120 billion. The total contracted gross floor area of the Group and its joint ventures and associates reached a new height of 5,624,051 sq.m. and an average contracted sales price of RMB21,672 per sq.m. During the Year, the Group's operating revenue, gross profit margin and net profit recorded a significant increase. The Group recorded an operating revenue of approximately RMB34.367 billion, representing an increase of approximately 13.27% as compared with last year, with its gross profit and net profit amounting to RMB8.065 billion and RMB3.472 billion respectively, representing an increase of approximately 60.50% and 31.19% respectively, as compared with last year. In terms of regional sales, the Group continued to maintain its leading position in Hangzhou and Fuzhou, reflecting clearly its regional competitive strength. According to China Real Estate Information Corporation, the Group ranked second and fourth in terms of equity sales in Hangzhou and Fuzhou respectively in 2018.

The Group adopted a more prudent land acquisition policy, accurately capitalize on the market outlook, and focuses on acquiring more land reserves of quality and high potential. In February 2018, Zhengzhou Rongzhu Property Development Co., Ltd* (鄭州融築房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, acquired four plots of land in Zhengzhou, Henan Province, aiming to expand its layout in Henan Province and further cultivate growth in the Central China. In August 2018, the Group ventured into the Tourist Resort Zone in Qingdao city, Shandong province for the first time, joined hands with West Coast Development (Group) * (西海岸發展集團) to build its first-ever quality project within the promising Qingdao market. During the Year, the Group together with its joint venture and associates initiated 24 new land projects, adding land reserves of total GFA of approximately 4,775,121 sq.m. at an equity consideration of approximately RMB7.134 billion. As at 31 December 2018, the Group together with its joint ventures and associates have established its presence in 39 cities, operating a total of 154 projects, with total land reserves of approximately 25,416,500 sq.m.

In the Year which witnessed the Company's becoming a property developer with contracted sales of RMB100 billion and the steadily rise of profit indicators, the Group actively manages the leverage level, expands the financing channels, and continuously optimizes the capital structure and debt structure. In June 2018, the Group completed the placing of 103.5 million shares at HK$10.62 per share, with proceeds of approximately HK$1.1 billion. This placing has introduced high-quality long-term investors to the Group, further optimized its shareholder structure. During the Year, the Company has completed the issuance of US$1.0 billion offshore senior notes, RMB1.3 billion domestic asset backed securities (ABS) and RMB2.0 billion domestic corporate bonds specialized in rental housing, the above proceeds would be used for the refinancing its existing indebtedness, which optimized the Company's debt structure and provided effective support for its liquidity.

The significant regional competitive advantages, sufficient premium land bank, high-speed sales growth and gradually optimized financial level have drawn the attention and recognition of the market. During the Year, Moody's and S&P, both are international credit rating agencies, unanimously raised the Group's outlook rating to "Stable", meanwhile, China Chengxin Securities Appraisal Co., Ltd. (中誠信證券評估有限公司), an authoritative domestic credit rating agency, has assigned a first-time AAA issuer rating to the Group, and the rating outlook of the Company is stable.

By virtue of the Group's ultimate pursuit of product quality and service, its brand value has been highly recognized by the market, thus achieving a win-win situation with respect to "performance and reputation". In 2018, the Group was ranked among "China's Top 22 Real Estate Developers in 2018 (2018中國房地產開發企業22強)" by the China Real Estate Association and the

China Real Estate Appraisal Center, and was named "2018 China Top 10 Comprehensive Developments of Real Estate Development Enterprises (2018中國房地產開發企業綜合發展10強)". The brand value of Ronshine reached RMB15.5 billion. It ranked 22nd among the "Best 50 of China Real Estate Developers Brand Value (中國房地產開發企業品牌價值50強)" for six consecutive years and was named the "Top 30 Brands of Chinese Real Estate Companies (Diversified Ownership) (中國房地產公司品牌價值TOP30(混合所有))" for 2018. During the Year, Ronshine ranked 5th among the "2018 China Top 100 Real Estate Developers – Growth Enterprises TOP 10 (2018中國房地產百強企業－成長性TOP10)" and won the "China's TOP2 Fastest Growing Listed Real Estate Developers in 2018 (2018中國房地產上市公司發展速度TOP2)" in recognition of its rapid development momentum.

Upholding its conviction of "taking from community and returning to community", Ronshine actively undertook social responsibilities, carried out public welfare and cultural poverty alleviation projects, and has invested accumulated more than RMB200 million in its public welfare and poverty alleviation projects. During the Year, the Group won the "Annual Targeted Poverty Alleviation Enterprise (精準扶貧年度創新企業獎)" awarded by Southern Weekly for its innovative attempts and outstanding achievements achieved in the "Youth in China Project", a large scale public welfare project. It also won the "2018 Social Responsibility Contribution Award (2018年度社會責任貢獻獎)" and "2018 Social Care Award (2018年度社會關懷獎)" by International Financial News in the "Public Welfare with You 2018 International Financial News CSR Pioneer Forum & CSR Award Presentation Ceremony (益路有你2018國際金融報CSR先鋒論壇－暨企業社會責任頒獎典禮)". Moreover, the Group has been presented with the "2018 CSR Targeted Poverty Alleviation Award (2018企業社會責任精準扶貧獎)" by Xinhua Net. In the future, the Group will continue to abide by the philosophy of "learning with integrity on the basis of benevolence", and will actively fulfill corporate social responsibilities by leveraging its resources and advantages.

Future Prospects

Looking forward into 2019, it is expected that the overall economic situation in the PRC will "maintain stable progress", while the structure of economic development and living standards of residents will continue to improve. Affected by the current round of austerity measures, the environment of the real estate market has stabilized at this stage. The Ministry of Housing and Urban-Rural Development has developed a "three stables" policy, with the aim of stabilizing the land prices, housing prices and expectations to maintain the smooth operation of the real estate market. Benefitting from the positive effect of the long-term development of the market brought by reasonable policy regulation, real estate enterprises will experience a stage from scale growth to quality improvement.

The Group will closely monitor changes in real estate policies and the market, and adhere to the three major strategies of "focus, balance and light assets". The Group will focus on the mid-to-high end residential properties targeting at improvement and the eight core urban agglomerations with its presence. The Group believes that, with the increasing demand for residential properties targeting at improvement and high-quality residential properties in first-tier and second-tier cities, its strategy to focus on mid-to-high end residential properties will receive a positive response from the market. Abiding by the keynote of steady progress, the Group will optimize the balance between scale, profit and leverage, achieve enhanced co-operation and complementarity of edges through implementation of "light asset" development strategy, and create new profit growth point by matching the maturity profiles of cash flows. Based on the steady development of the industry, the Group believes that, under the precise control of market cycle and the persistence of product quality, it will be able to achieve persistent and quality business growth.

Acknowledgements

On behalf of the Board, I hereby express my sincere gratitude to the shareholders of the Company (the "**Shareholders**"), customers and partners for their long-term support, and my heartfelt thanks go to the Directors, the management team and all employees for their hard work and contributions in the past year. In 2019, the Group will unwaveringly uphold the strong vision of "become a property developer leader with quality and a service provider for an ideal life" to build houses with sincerity, creating greater value for the Shareholders.

Ou Zonghong
Chairman

Hong Kong, 21 March 2019

Summary of Principal Properties

The tables below set forth the details of the property development projects of the Group as at 31 December 2018.

PROJECTS DEVELOPED BY THE GROUP

As at 31 December 2018, the subsidiaries, joint ventures and an associated company of the Group engaged in a total of 154 property development projects.

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
1	West Coast (融信陽光城西海岸(領海三期))	Fuzhou	124,827.28	50.00%	Residential	498,115.32	53,274.40	31 January 2016
2	Zhangzhou Wanke City (漳州萬科城)	Zhangzhou	235,606.37	20.00%	Residential	1,040,221.43	733,148.06	19 June 2018
3	Imperial Land (一品江山(海融一號作品))	Zhangzhou	94,291.42	50.00%	Residential	316,346.36	29,025.32	19 July 2018
4	Shanghai Xujing Project (徐涇鎮會展中心3地塊(凱泰))	Shanghai	184,292.80	50.00%	Commercial	826,965.68	57,253.78	01 August 2018
5	Lan County (融信瀾郡)	Fuzhou	69,618.40	100.00%	Residential	269,859.01	16,989.16	29 August 2014
6	Hangzhou Wocheng Project (杭州臥城地塊－天麓府)	Hangzhou	59,494.00	34.00%	Residential	206,868.03	23,156.40	13 July 2020
7	Nanjing 2016G58 Lot (南京仙林2016G58地塊－融築儒林花園)	Nanjing	106,002.49	30.60%	Residential	335,078.73	323,631.00	01 May 2019
8	David City (福州平潭大衛城)	Fuzhou	111,320.48	51.00%	Residential	428,710.50	24,761.02	05 November 2017
9	The Coast (融信後海)	Fuzhou	49,959.00	100.00%	Residential	165,979.48	11,970.56	21 September 2016
10	The Twin Harbour City (融信雙杭城)	Fuzhou	259,519.00	100.00%	Residential	1,311,286.93	915,105.65	03 August 2019
11	The Long Island (融信長島)	Fuzhou	185,196.00	100.00%	Residential	690,792.60	121,132.33	07 January 2019
12	The Bund (平潭外灘)	Fuzhou	35,264.29	51.00%	Residential	155,333.33	–	31 December 2018
13	Hot Spring City (福州溫泉城項目)	Fuzhou	1,018,836.00	50.00%	Residential	1,662,219.56	1,257,623.02	01 December 2020
14	Lan Hill (世歐瀾山)	Fuzhou	48,313.00	50.00%	Residential	168,758.48	4,429.06	15 February 2015
15	Show Kingdom (世歐王莊)	Fuzhou	250,708.50	50.00%	Residential	1,844,304.65	68,887.24	01 January 2016
16	Huayun Mansion (華雲山莊)	Fuzhou	161,008.40	25.50%	Residential	258,248.00	171,767.85	01 December 2019
17	Ocean City (融信 • 海上城)	Xiamen	151,344.19	100.00%	Residential	430,655.11	3,222.13	31 March 2017
18	Xiamen Bowan (廈門同安鉑灣)	Xiamen	39,715.25	100.00%	Residential	185,558.66	105,267.28	08 June 2020
19	融信瀾園(融信翠湖)	Zhangzhou	56,765.69	100.00%	Residential	322,291.00	5,441.90	15 December 2015
20	Festival City (觀山海(漳州港又一城))	Zhangzhou	94,190.00	100.00%	Residential	273,051.36	33,981.51	31 January 2017
21	Future City (融信 • 未來城)	Zhangzhou	41,644.64	100.00%	Residential	160,438.00	21,451.06	30 August 2017
22	Zhangzhou Harbor B6 Lot (漳州港B6(學院名築)半山雲頂)	Zhangzhou	71,217.99	100.00%	Residential	221,033.24	61,682.04	29 June 2018
23	Zhangzhou Harbor B8 Lot (漳州港B8(半山雅墅)西西里)	Zhangzhou	69,988.00	100.00%	Residential	143,647.30	141.66	01 December 2018
24	Imperial Villa (融信鉑灣)	Shanghai	121,376.80	51.00%	Residential	202,326.40	23,023.77	22 July 2016

Summary of Principal Properties

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
25	Shanghai Huacao Lot I (KaiYU) (閔行區華漕鎮MHPO-1402單元41-02地塊(愷譽))	Shanghai	26,360.30	50.00%	Office	117,903.52	2,473.78	21 December 2016
26	Shanghai Huacao Lot II (Kairi) (閔行區華漕鎮MHPO-1402單元35-01地塊(愷日))	Shanghai	13,455.90	50.00%	Office	48,226.59	1,962.66	24 December 2018
27	Shanghai Huacao Lot III (Kaichong) (閔行區華漕鎮MHPO-1402單元36-01地塊(愷崇))	Shanghai	10,994.90	25.00%	Office	37,572.89	18,250.81	11 December 2018
28	Shanghai Huacao Lot IV (Kaichang) (閔行區華漕鎮MHPO-1402單元42-01地塊(愷暢))	Shanghai	30,921.50	50.00%	Office	106,744.00	6,179.94	15 December 2017
29	Platinum(融信鉑爵)	Shanghai	21,195.60	51.00%	Residential	103,055.00	28,261.50	01 December 2018
30	Shanghai Jingan Zhangxin Lot (靜安中興地塊)	Shanghai	31,034.10	50.00%	Residential	149,836.40	115,014.00	01 December 2020
31	Shanghai Qingpu Lot (青浦36-01地塊)	Shanghai	36,279.00	30.50%	Residential	161,959.90	92,249.14	01 December 2020
32	Xinjiangwan City (新江灣城)	Shanghai	39,805.80	50.00%	Residential	102,476.00	62,436.78	27 October 2020
33	Blue Peacock Phase I (杭州藍孔雀一期)	Hangzhou	28,215.00	51.00%	Residential	125,278.40	7,845.92	31 January 2017
34	Blue Peacock Phase II (杭州藍孔雀二期)	Hangzhou	56,521.00	51.00%	Residential	210,817.31	9,612.96	31 January 2017
35	Hangzhou Normal University Lot (杭師大地塊)	Hangzhou	45,573.99	100.00%	Residential	229,099.71	26,031.94	30 September 2017
36	Lan Sky融信•瀾天	Hangzhou	71,488.00	93.50%	Residential	244,592.00	27,038.75	01 December 2018
37	Yangxing Capital融信•永興首府	Hangzhou	44,307.00	26.01%	Residential	157,124.80	22,013.37	01 December 2018
38	Xiaoshan Residence融信•蕭山公館	Hangzhou	41,642.00	75.01%	Residential	131,817.40	–	01 March 2019
39	Jingkai Project (經開地塊–大國璟)	Hangzhou	42,709.00	25.50%	Residential	166,196.62	58,682.11	01 June 2019
40	Yinhe Primary School Project (銀河小學地塊(江南學府))	Hangzhou	43,686.00	51.00%	Residential	189,849.60	62,776.50	01 June 2019
41	Qinglong Project (慶隆地塊–融信公館)	Hangzhou	27,845.00	51.00%	Residential	117,070.90	44,174.70	01 June 2019
42	Seattle (西雅圖)	Hangzhou	62,190.00	50.00%	Residential	240,670.28	49,887.50	01 June 2019
43	Qianjiang Century City Project (錢江世紀城地塊(創世紀))	Hangzhou	60,620.00	70.00%	Residential	241,025.46	55,572.21	01 June 2019
44	Nanjing Jiulonghu Project (南京九龍湖NO.2016G73地塊)	Nanjing	42,707.52	100.00%	Residential	351,699.72	314,591.91	01 November 2020
45	Suzhou 2016 2-4 Lot (昆山(2016) 2-4地塊)	Suzhou	76,671.70	50.00%	Residential	280,319.55	150,895.64	01 October 2019
46	Hangzhou 2016-48 Lot (余政儲出(2016) 48號張家壩港西、康良路北地塊–沐水瀾軒)	Hangzhou	24,560.00	93.50%	Residential	61,640.00	20,955.25	31 December 2018
47	Zijin Mountain Mansion (融信紫金山學院府)	Longyan	53,131.00	44.37%	Residential	170,115.78	15,220.19	08 November 2019
48	Zhangzhou 2017P01 Lot (2017P01漳華東路地塊–融信漳州壹號府)	Zhangzhou	52,438.88	93.03%	Residential	193,882.55	146,957.81	02 March 2020

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
49	Nanjing 2017G02 Lot (NO.2017G02江寧區信誠大道以南、玉振路以東地塊)	Nanjing	82,627.65	44.90%	Residential	201,690.15	192,447.03	31 March 2020
50	Chengdu Residence (成都主城區三號宗地金牛區百壽路－融信錦溪公館)	Chengdu	11,109.78	93.76%	Residential	63,202.01	59,862.00	30 August 2019
51	Tianjin 2013-92 Lot (津靜(掛)2013-92號靜海區團泊新城東區)	Tianjin	106,000.00	93.21%	Residential	181,915.76	155,636.00	09 July 2020
52	Tianjin 2016-06 Lot (津南(掛)2016-06號津南區北閘口鎮)	Tianjin	68,970.00	93.21%	Residential	130,100.00	105,198.00	09 July 2020
53	Putian PS 2017-04 Lot (PS拍－2017-04號溪白村地塊－莆田融信府)	Putian	37,289.36	87.69%	Residential	125,867.40	97,957.42	17 May 2020
54	Licheng Lot (83001220A16159荔城街慶豐村83001220A16159宅地)	Guangzhou	28,001.00	45.53%	Residential	117,382.53	66,580.99	23 May 2020
55	Xiamen 2017TP01 LOT (2017TP01－融信廈門海悦府)	Xiamen	11,386.12	87.00%	Residential	43,262.32	34,775.00	22 April 2020
56	Chongqing Q02-2–1/03 Lot (Q02-2–1/03號宗地巴南區龍洲灣Q分區地塊=龍洲灣)	Chongqing	117,541.00	71.66%	Residential	332,207.09	325,327.39	25 February 2019
57	Jinhua 2017-7 Lot (金市土讓告字[2017]7號，地塊一宋濂路北側地塊，葉宅北地塊)	Jinhua	64,604.83	43.72%	Residential	182,740.09	119,480.59	01 November 2019
58	Hangzhou 2017-4 Lot (蕭政儲出(2017) 4號靖江花神廟地塊－蕭山空港)	Hangzhou	48,543.00	87.00%	Residential	131,391.96	61,038.00	10 June 2020
59	Shengzhou Project (嵊州項目)	Shaoxing	248,819.00	85.74%	Residential	816,861.61	556,746.49	10 May 2020
60	Hangzhou 2017-1 Lot (蕭政儲出(2017) 1號)	Hangzhou	47,326.00	54.28%	Residential	177,964.51	168,997.00	01 July 2020
61	Quzhou 2017(4) Lot (衢市儲(2017) 4號－中梁壹號院)	Quzhou	85,300.00	39.15%	Residential	213,054.64	12,401.69	01 July 2020
62	Ningbo Fenghua Lot (奉化原毛紡廠地塊－南山府)	Ningbo	45,993.00	22.19%	Residential	140,666.35	85,435.67	29 April 2020
63	Zhengzhou 2013-58 Lot (牟政出2013(58)號)	Zhengzhou	64,876.00	87.00%	Office	252,600.00	236,317.17	10 September 2019
64	Hangzhou XH1306-03 (留下單元XH1306-03地塊)	Hangzhou	40,685.00	16.00%	Residential	83,868.69	52,761.15	15 December 2020
65	Hangzhou XH1306-02 Lot (留下單元XH1306-02地塊－西溪雲廬)	Hangzhou	42,357.00	7.00%	Residential	96,140.02	83,331.01	25 June 2021
66	Nanjing G31 Lot (G31南站地塊)	Nanjing	108,521.76	6.21%	Residential	643,841.00	505,440.73	20 January 2020
67	Nanjing G36 Lot (G36麒麟地塊)	Nanjing	54,173.00	50.00%	Residential	268,209.36	219,167.62	25 June 2021
68	Jinhua 2017-10 Lot ([2017]10號康濟路地塊)	Jinhua	43,597.00	39.86%	Residential	65,396.26	19,517.98	31 August 2019

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
69	Hangzhou 2017-44 Lot (杭政儲出[2017]44號－古翠隱秀)	Hangzhou	53,417.00	63.54%	Residential	219,298.35	210,309.00	20 December 2019
70	Hangzhou 2017-42 Lot (杭政儲出[2017]42號－祥符東)	Hangzhou	39,950.00	21.75%	Residential	164,116.00	129,017.58	20 December 2019
71	Hangzhou 2017-14 Lot (蕭政儲出[2017]14號－德信蜀山)	Hangzhou	63,742.00	21.53%	Residential	194,618.13	151,051.26	30 August 2020
72	Mawei 2017-06 Lot (馬尾2017-06號地塊)	Fuzhou	113,570.00	13.33%	Residential	216,400.00	194,615.00	30 May 2021
73	Hangzhou 2017-20 Lot (蕭政儲出[2017]20號－下湘湖)	Hangzhou	106,872.00	25.30%	Residential	421,517.30	355,170.84	30 April 2022
74	Yijiangnan (憶江南)	Zhengzhou	236,877.44	87.89%	Residential	607,514.59	594,984.74	01 March 2021
75	Tractor Plant Lot (原省拖拉機廠地塊)	Fuzhou	25,668.00	100.00%	Residential	85,600.00	84,920.60	30 April 2021
76	Zhoushan Project (環南街道－舟山定海)	Zhoushan	77,162.00	30.75%	Residential	202,096.70	177,410.00	30 June 2021
77	Linangchu Lot 43 (良渚43號地塊)	Hangzhou	104,698.00	25.50%	Residential	290,176.00	268,745.00	31 December 2020
78	Changle Yujingwan (長樂御景灣)	Fuzhou	46,573.57	34.00%	Residential	115,983.00	65,880.87	31 December 2018
79	Tongling Lanshan Fu (銅陵瀾山府)	Tongling	60,475.00	38.76%	Residential	161,075.00	87,449.87	30 October 2019
80	Ganzhou Rongxitai (贛州榕璽台)	Ganzhou	39,013.00	25.84%	Residential	116,895.73	20,469.38	01 December 2019
81	Luan 2017-14 Lot (六出2017-14號地塊，六安融信海亮•江灣城)	Lu'an	144,532.00	49.50%	Residential	347,695.00	89,065.55	30 April 2020
82	Suzhou Tang Ning Fu (唐寧府－蘇州)	Suzhou	106,303.44	52.25%	Residential	278,962.28	83,731.39	30 May 2019
83	Suzhou Changqiao Yayuan (长桥雅苑)	Suzhou	161,117.73	55.00%	Residential	187,443.00	63,828.98	31 December 2018
84	Hai Liang Yue Fu (海亮•悦府)	Fuyang	145,024.00	55.00%	Residential	400,569.59	55,381.56	02 December 2019
85	The Riverside Mansion (海亮•江灣城)	Fuyang	114,375.80	55.00%	Residential	388,881.00	52,280.02	15 June 2018
86	Hai Liang Xingfu Li (海亮•幸福里)	Fuyang	154,391.00	38.50%	Residential	402,143.00	224,792.51	05 December 2019
87	Xingfu Li East County (幸福里東郡)	Fuyang	86,710.00	49.50%	Residential	293,513.86	137,899.29	31 December 2019
88	Xingfu Li North County (幸福里北郡)	Fuyang	47,886.00	49.50%	Residential	141,097.11	46,847.62	30 August 2020
89	Bengbu Hai Liang Ming Zhu (蚌埠海亮明珠)	Bengbu	187,378.33	55.00%	Residential	231,286.00	66,541.72	01 December 2018
90	Bengbu Hai Liang Tian Yu (蚌埠海亮天禦)	Bengbu	126,792.00	55.00%	Residential	316,515.00	57,114.95	01 September 2019
91	Hailiang Official Mansion(六安海亮官邸)	Lu'an	122,913.00	55.00%	Residential	173,061.73	1,062.48	31 December 2018
92	Hefei Hailiang Palais Jardin(九璽花园)	Hefei	193,815.16	55.00%	Residential	45,502.00	31,260.11	29 November 2016
93	Hefei Orchid Land (蘭郡花园)	Hefei	220,319.00	55.00%	Residential	11,716.00	6,083.09	31 May 2016
94	Hailiang Rubellite (紅璽台公館)	Hefei	72,080.46	55.00%	Residential	33,890.00	22,215.70	03 March 2017
95	Tangning Mansion (唐寧府－合肥)	Hefei	25,959.43	19.58%	Residential	75,857.71	67,086.40	31 December 2019
96	Hailiang Heavenly Mansion (海亮天御)	Jingxian	140,000.00	55.00%	Residential	123,337.00	617.27	31 December 2019
97	Hailiang time ONE (海亮時代ONE)	Zhengzhou	50,053.14	55.00%	Commercial	304,542.42	57,908.16	30 November 2020

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
98	Hai Liang Xin Ying Li (海亮 • 新英里)	Xi'an	103,317.34	55.00%	Residential	293,068.00	74,449.41	31 December 2018
99	Hai Liang De Wen Jun (海亮 • 德文郡)	Xi'an	69,763.41	42.35%	Residential	225,344.00	–	30 May 2021
100	Hai Liang Tang Ning Fu (海亮 • 唐寧府)	Xi'an	70,065.04	26.40%	Residential	267,799.96	58,348.21	30 September 2020
101	Hai Liang Xi Yue (海亮熙悦)	Xi'an	63,448.10	7.04%	Residential	310,371.00	141,508.16	30 November 2020
102	Lanzhou Hailiang Heyuan (海亮和園)	Lanzhou	28,040.20	52.25%	Residential	17,871.00	5,665.59	30 May 2016
103	Xi'an Hua Fu(熙岸華府)	Lanzhou	65,784.80	52.25%	Residential	264,701.52	104,451.45	30 October 2018
104	Hailiang Da Du Hui (海亮大都滙)	Xining	193,613.90	55.00%	Residential	433,005.94	163,860.02	31 October 2019
105	Hailiang International Community(海亮國際社區)	Yinchuan	797,960.04	55.00%	Residential	138,064.00	15,820.41	31 December 2012
106	Haimao No.1 Project (海茂壹號院)	Yinchuan	176,146.41	26.95%	Residential	408,745.08	134,214.12	31 December 2018
107	Shiyuefu Project (世悦府)	Yinchuan	136,828.38	26.95%	Residential	384,114.00	209,764.06	30 September 2019
108	Hailiang Skyscrapers (海亮天城)	Ganzhou	148,919.07	55.00%	Residential	329,683.00	92,561.43	30 March 2019
109	Yijing Garden (頤景花园)	Hefei	2,015.70	55.00%	Residential	5,821.00	5,803.28	01 April 2019
110	Jurong 2017-J10-2-02 Lot (句容2017-J10-2-02號地塊)	Jurong	53,873.00	15.66%	Residential	145,462.62	137,738.87	08 March 2020
111	Hushu Lot (湖墅地塊)	Hangzhou	14,684.00	34.80%	Residential	49,994.80	47,957.11	08 January 2020
112	Tongxiang 2017-52 Lot (桐土儲[2017]52號地塊)	Jiaxing	62,774.55	18.27%	Residential	195,908.21	162,766.24	29 December 2019
113	Haining 2018-004 Lot (海土字(2018) 004號地塊)	Jiaxing	53,873	87%	Residential	111,019.12	104,510.42	06 March 2020
114	Xiaoshan 2018-4 Lot (蕭政儲出(2018) 4號蜀山單元地塊)	Hangzhou	52,780	17.40%	Residential	95,047.05	93,658.05	29 January 2020
115	Jiepai 3# Lot (界牌3#地塊慈溪市古塘街道)	Ningbo	113,857.00	21.00%	Residential	253,593.95	230,210.78	01 March 2020
116	Xiaoshan 2018-14 Lot (蕭政儲出(2018) 14號地塊)	Hangzhou	93,039.00	75.4%	Residential	362,335.58	247,000.50	16 April 2020
117	Anji Development Zone (安吉開發區)	Huzhou	53,254.00	21.66%	Residential	113,938.00	112,019.09	11 June 2020
118	Xingyang Yijiangnan Lot-2 (滎陽市憶江南地塊-2)	Zhengzhou	302,573.23	87.00%	Residential	441,400.14	433,645.78	30 June 2020
119	Xinjin Lot (新津地塊)	Chengdu	22,731.50	87.00%	Residential	80,810.32	80,574.00	27 March 2020
120	Fuyang 2017-33 Lot (阜陽2017-33號地塊)	Fuyang	77,605.00	15.31%	Residential	219,352.17	103,844.66	12 January 2020
121	Beihai Bridge Lot (北海大橋地塊)	Dongtai	55,320.00	13.75%	Residential	132,832.87	121,053.69	22 March 2020
122	Mengcheng 2018-6 Lot (蒙城縣2018-6號地塊)	Mengcheng	71,359.39	22.97%	Residential	180,356.75	159,247.74	29 March 2020
123	Xingyang Yijiangnan Lot-3 (滎陽憶江南地塊-3)	Zhengzhou	80,190.01	87.89%	Residential	228,831.00	178,794.44	25 January 2020

Summary of Principal Properties

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
124	The Ocean Costal (Qingdao West Coast Center)(海月星灣(青島西海岸中心))	Qingdao	100,705.00	40.29%	Residential	422,259.08	422,259.08	31 December 2021
125	Helin E05 Lot (鶴林E05地塊)	Fuzhou	65,666.00	5.00%	Residential	183,995.02	183,995.02	31 December 2022
126	Haining 18130 Lot (Haining Xieqiao New Lot) (海土字18130號地塊(海寧斜橋新地塊))	Haining	44,887.00	100.00%	Residential	143,617.50	143,617.50	20 January 2022
127	Shangjun (Fuyang 78 Lot) (上郡(阜陽78地塊))	Fuyang	102,493.85	14.31%	Residential	269,298.00	269,298.00	01 May 2021
128	Yangpu 02B1-06 Lot (楊浦區平涼社區02B1-06地塊)	Shanghai	16,112.30	15.20%	Commercial	65,091.00	48,783.79	01 April 2020
129	Fuzhou 2017-18 Lot(福州市晉安宦溪鎮羅漢村桂湖社區地塊一宗地2017-18)	Fuzhou	77,113.00	5.00%	Residential	158,846.33	158,846.33	01 December 2021
130	Hailiang • Yuchen (海亮 • 禦辰)	Xi'an	27,695.33	33.00%	Residential	104,948.24	104,948.24	01 June 2021
131	Dingqiao R21-05 Lot (丁橋單元R21-05號地塊)	Hangzhou	23,772.00	43.50%	Residential	80,378.60	61,317.14	01 July 2020
132	Bengbu Golden Age (蚌埠黃金時代)	Bengbu	97,021.93	21.10%	Residential	292,842.19	292,842.19	01 June 2021
133	Zhengzhou Delan Lot (鄭州德蘭地塊)	Zhengzhou	196,121	51.00%	Residential	442,962.29	442,962.29	24 August 2025
134-154	Others其他		1,933,409			4,559,255	153,031	
	Total		**14,699,054.81**			**39,289,692.62**	**17,468,979.39**	
	Attributable total:		**8,100,221.44**			**21,825,448.57**	**8,962,478.29**	

Note:

(1) The Group cooperated or agreed to cooperate with local governments in constructing resettlement housing units adjacent to certain projects of the Group. The construction of such resettlement housing was typically included by the relevant local governments as part of the package for the acquisition of the related parcels of land for commercial development. Under such arrangement, the Group pays the relevant land premium and receive the land use rights certificates registered to the Group's name with respect to the land parcels underlying the resettlement properties during the construction phase, but are obligated to deliver the properties upon completion back to the local government. For further details of the construction of resettlement housing, please refer to the section headed "Business – Construction of Resettlement Housing" on pages 231 to 236 in the prospectus of the Company dated 31 December 2015 (the "**Prospectus**").

Management Discussion and Analysis

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December 2018	2017	Change in percentage
Contracted sales			
Contracted sales amount *(RMB'000)*[1]	**121,883,814**	70,311,000	73.35%
Contracted gross floor area *(sq.m.)*	**5,624,051**	4,494,000	25.15%
Average unit price of contracted sales *(RMB/sq.m.)*	**21,672**	15,646	38.51%
Property delivered			
Revenue from delivery of properties *(RMB'000)*	**33,406,515**	29,588,530	12.90%
Delivered gross floor area *(sq.m.)*	**2,302,275**	2,462,983	-6.52%
Recognised average selling price of properties delivered *(RMB/sq.m.)*	**14,510**	12,013	20.79%
Revenue *(RMB'000)*	**34,366,500**	30,341,404	13.27%
Cost of Sales *(RMB'000)*	**(26,301,557)**	(25,316,550)	3.89%
Gross profit *(RMB'000)*	**8,064,943**	5,024,854	60.50%
Other income and other gains — net *(RMB'000)*	**123,463**	45,521	171.22%
Profit before income tax *(RMB'000)*	**6,657,648**	4,989,739	33.43%
Profit for the year *(RMB'000)*	**3,471,526**	2,646,248	31.19%
— attributable to owners of the Company *(RMB'000)*	**2,149,660**	1,679,521	27.99%
— attributable to non-controlling interests *(RMB'000)*	**1,157,671**	734,442	57.63%
— attributable to holders of Perpetual Capital Instruments *(RMB'000)*	**164,195**	232,285	-29.31%
Core net profit contributable to owners of the Company *(RMB'000)*[2]	**2,500,010**	1,158,152	115.86%
Gross profit margin[3]	**23.47%**	16.56%	41.73%
Net profit margin[4]	**10.10%**	8.72%	15.83%
Interest coverage ratio[5]	**2.34 times**	2.32 times	0.86%

	As at 31 December 2018	2017	Change in percentage
Total assets *(RMB'000)*	**203,443,878**	170,196,275	19.53%
Total liabilities *(RMB'000)*	**167,825,520**	139,435,222	20.36%
Total equity *(RMB'000)*	**35,618,358**	30,761,053	15.79%
Capital and reserve attributable to owners of the Company *(RMB'000)*	**12,754,828**	10,224,277	24.75%
Current ratio[6]	**1.41 times**	1.69 times	-16.57%
Net gearing ratio[7]	**1.05**	1.59	-33.96%

Notes:

(1) The amounts include the contracted sales from subsidiaries, associates and joint ventures of the Company.

(2) The calculation of core net profit contributed to owners of the Company means the net profit contributed to owners of the Company less the fair value gains on investment properties (after income tax), fair value gains on the remeasurement of a joint venture recognized in other income and other gains — net and net foreign exchange gains, and plus net foreign exchange losses on financing activities and value of employee services under share option scheme.

(3) The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.

(4) The calculation of net profit margin is based on net profit divided by revenue and multiplied by 100%.

(5) The calculation of interest coverage ratio is based on (i) profit before income tax plus interest of borrowings less finance income and divided by (ii) interest of borrowings less finance income.

(6) The calculation of current ratio is based on current assets divided by current liabilities.

(7) The calculation of net gearing ratio is based on total borrowings less cash and bank balances and divided by total equity.


Century Summit (Shanghai)


Horizons of City (Nanjing)

PROPERTY DEVELOPMENT

Contracted Sales

For the year ended 31 December 2018, the Group and its joint ventures and associates achieved contracted sales of Renminbi ("**RMB**") 121,883.81 million, representing a growth of approximately 73.35% compared with RMB70,311.00 million for the year ended 31 December 2017. This increase was mainly attributable to (i) the increase in the total gross floor area ("**GFA**") of the Group and its joint ventures and associates' contracted sales by approximately 25.15% from 4,494,000 sq.m. for the year ended 31 December 2017 to 5,624,051 sq.m. for the year ended 31 December 2018, and (ii) the average contracted sales price increased from RMB15,646 per sq.m. in 2017 to RMB21,672 per sq.m.

The amount of the Group and its joint ventures and associates' contracted sales in Hangzhou, Shanghai, Fuzhou, Xi'an, Nanjing, Quzhou, Jinhua, Lu'an and Fuyang accounted for (i) approximately 33.05%, 17.98%, 9.77%, 5.13%, 6.56%, 3.02%, 2.21%, 1.93%, and 2.61% of the Group and its joint ventures and associates' total contracted sales amount for the year ended 31 December 2018, respectively, and (ii) approximately 17.61%, 9.63%, 10.41%, 8.86%, 4.05%, 2.72%, 1.95%, 5.63% and 7.54% of the Group and its joint ventures and associates' total GFA of contracted sales for the year ended 31 December 2018, respectively. The following table sets forth details of the contracted sales of the Group and its joint ventures and associates for the year ended 31 December 2018:

	Amount (RMB million)	Percentage (%)	GFA (sq.m.)	Percentage (%)	Average selling price (RMB/sq.m.)
Hangzhou	40,285	33.05	990,506	17.61	40,671
Shanghai	21,916	17.98	541,600	9.63	40,465
Fuzhou	11,904	9.77	585,375	10.41	20,336
Xi'an	6,252	5.13	498,149	8.86	12,550
Nanjing	8,001	6.56	227,580	4.05	35,156
Quzhou	3,685	3.02	153,230	2.72	24,050
Jinhua	2,695	2.21	109,802	1.95	24,541
Lu'an	2,346	1.93	316,725	5.63	7,408
Fuyang	3,183	2.61	424,074	7.54	7,507
Others	21,617	17.74	1,777,010	31.60	12,164
Total	**121,884**	**100.00**	**5,624,051**	**100.00**	**21,672**

Projects completed

For the year ended 31 December 2018, the Group and its joint ventures and associates had completed a total of 27 projects or phases of projects, with total GFA of 2.17 million sq.m. (1.40 million sq.m., after taking into account the interests of the owners of the Company in the relevant projects).

Projects under construction

As at 31 December 2018, the Group and its associates and joint ventures had a total of 96 projects or phases of projects under construction, with total planned GFA of 25.71 million sq.m. (13.12 million sq.m., after taking into account the interests of the owners of the Company in the relevant projects).

Land reserve

During the year ended 31 December 2018, there were a total of 24 newly acquired land parcels with a total GFA of 4,775,121 sq.m. (1,955,501 sq.m., after taking into account the interests of the owners of the Company in the relevant projects). The average cost of land parcels acquired was approximately RMB5,183 per sq.m. (calculated at the plot ratio-based GFA).

The following table sets forth details of the Group and its joint ventures and associates newly acquired land parcels during the year ended 31 December 2018:

City	Project name	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Total GFA of the owners of the Company interested *(sq.m.)*	Land cost *(RMB million)*	Total land cost attributable to the owners of the Company *(RMB million)*	Average land cost *(RMB/sq.m.)*
Zhenjiang	Jurong 2017-J10-2-02 Lot (句容2017-J10-2–02號地塊)	53,873	145,463	22,779	521	82	4,837
Hangzhou	Hushu Lot (湖墅地塊)	14,684	49,995	17,398	1,019	355	31,551
Jiaxing	Tongxiang 2017-52 Lot (桐土儲[2017]52號地塊)	62,775	195,908	35,789	485	89	3,219
Jiaxing	Haining 2018-004 Lot (海土字(2018)004號地塊)	53,873	111,019	96,587	570	496	7,200
Hangzhou	Xiaoshan 2018-4 Lot (蕭政儲出(2018)4號 蜀山單元地塊)	52,780	95,047	16,538	1,114	194	8,442
Ningbo	Jiepai 3# Lot (界牌3#地塊 慈溪市古塘街道)	113,857	253,594	53,255	1,020	214	5,599
Hangzhou	Xiaoshan 2018-14 Lot (蕭政儲出(2018)14號地塊)	93,039	362,336	273,201	4,304	3,245	17,134
Huzhou	Anji Development Zone (安吉開發區)	53,254	113,938	24,679	239	52	2,986
Zhengzhou	Xingyang Yijiangnan Lot-2 (滎陽市憶江南地塊–2)	302,573	441,400	384,018	245	213	722
Chengdu	Xinjin Lot (新津地塊)	22,732	80,810	70,305	239	208	4,200
Fuyang	Fuyang 2017-33 Lot (阜陽2017-33號地塊)	77,605	219,352	33,587	303	46	1,696
Dongtai	Beihai Bridge Lot (北海大橋地塊)	55,320	132,833	18,265	275	38	2,761

City	Project name	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Total GFA of the owners of the Company interested *(sq.m.)*	Land cost *(RMB million)*	Total land cost attributable to the owners of the Company *(RMB million)*	Average land cost *(RMB/sq.m.)*
Mengcheng	Mengcheng 2018-6 Lot (蒙城縣2018-6號地塊)	71,359	180,357	41,424	300	69	2,102
Zhengzhou	Xingyang Yijiangnan Lot-3 (滎陽憶江南地塊–3)	80,190	228,831	201,120	89	78	552
Qingdao	The Ocean Costal (Qingdao West Coast Center) (海月星灣(青島西海岸中心))	100,705	422,259	100,075	882	209	3,504
Fuzhou	Helin E05 Lot (鶴林E05地塊)	65,666	183,995	9,200	2,854	143	21,731
Haining	Haining 18130 Lot (Haining Xieqiao New Lot) (海土字18130號地塊(海寧斜橋新地塊))	44,887	143,618	143,618	442	442	3,939
Fuyang	Shangjun (Fuyang 78 Lot) (上郡(阜陽78地塊))	102,494	269,298	38,524	371	53	1,721
Shanghai	Yangpu 02B1-06 Lot (楊浦區平涼社區02B1-06地塊)	16,112	65,091	9,894	1,031	157	25,593
Fuzhou	Fuzhou 2017-18 Lot (福州市晉安宦溪鎮羅漢村桂湖社區地塊一宗地2017-18)	77,113	158,846	7,942	889	44	7,687
Xi'an	Hailiang • Yuchen (海亮•御辰)	27,695	104,948	34,633	199	66	2,573
Hangzhou	Dingqiao R21-05 Lot (丁橋單元R21-05號地塊)	23,772	80,379	34,965	979	426	17,162
Bengbu	Bengbu Golden Age (蚌埠黃金時代)	97,022	292,842	61,795	470	99	1,933
Zhengzhou	Zhengzhou Delan Lot (鄭州德蘭地塊)	196,121	442,962	225,911	230	118	520
Total		**1,859,501**	**4,775,121**	**1,955,501**	**19,069**	**7,134**	**5,183**

As at 31 December 2018, the total GFA of the Group and its joint ventures and associates land reserve was approximately 25.4 million sq.m. among which, approximately 3.9 million sq.m. were completed properties held for sale, approximately 17.6 million sq.m. were under construction, and approximately 3.9 million sq.m. were held for future development.

As at 31 December 2018, the cost per sq.m. of the Group's land reserve was RMB6,356, of which, approximately 75% was located in the prime area in the first and second-tier cities in the government in the People's Republic of China (the "**PRC**"). The Directors believe that the relatively high-quality land reserve provides the Group with effective support for its future profitability.

The following table sets forth details of the land reserve attributable to the owners of the Company as at 31 December 2018:

Region	Name of Projects	Total Land Value RMB'0,000	Total GFA of reserve 10,000 sq.m.	Average cost per sq.m. RMB/sq.m.
Bengbu	Bengbu Hai Liang Xi Yuan (蚌埠海亮熙園)	3,030.50	0.45	1,691.38
	Bengbu Hai Liang Tian Yu (蚌埠海亮天御)	32,593.00	4.42	1,680.44
	Bengbu Golden Age (蚌埠黃金時代)	9,919.89	6.18	1,933.34
Chengdu	Chengdu Residence (成都主城區三號宗地金牛區百壽路－融信錦溪公館)	70,415.64	5.92	16,914.86
	Xinjin Lot (新津地塊)	20,765.26	7.01	4,200.01
Dongtai	Beihai Bridge Lot (北海大橋地塊)	3,780.43	1.79	2,761.11
Fuzhou	West Coast (融信陽光城西海岸(領海三期))	15,400.00	7.33	910.43
	Lan County (融信瀾郡)	163,200.00	3.69	8,373.52
	David City (福州平潭大衛城)	39,882.00	2.35	2,341.59
	The Coast (融信後海)	92,500.00	5.68	7,405.92
	The Twin Harbour City (融信雙杭城)	562,000.00	98.96	6,064.53
	The Long Island (融信長島)	130,000.00	61.01	2,437.20
	The Bund (平潭外灘)	9,001.50	7.92	1,430.31
	"Hot Spring City" (福州溫泉城項目)	87,300.00	76.27	1,609.66
	Show Kingdom (世歐王莊)	300,000.00	12.48	4,786.60
	Huayun Mansion (華雲山莊)	14,688.14	6.48	3,300.00
	Mawei 2017-06 Lot (馬尾2017-06號地塊)	15,553.78	2.85	7,339.71
	Tractor Plant Lot (原省拖拉機廠地塊)	141,000.00	8.49	21,972.88
	Changle Yujingwan (長樂御景灣)	8,364.00	3.94	2,137.35
	Fuzhou 2017-18 Lot (福州市晉安宦溪鎮羅漢村桂湖社區地塊一宗地2017-18)	4,445.00	0.79	7,686.59
	Helin E05 Lot (鶴林E05地塊)	14,270.00	0.92	21,731.19
Fuyang	Hai Liang Yue Fu (海亮 • 悦府)	19,742.25	14.34	990.00
	The Riverside Mansion (海亮 • 江灣城)	29,345.34	3.56	1,662.31
	Hai Liang Long Yuan (海亮 • 瓏園)	16,254.04	3.19	2,320.54
	Hai Liang Xing Cheng (海亮 • 星城)	8,003.82	3.50	1,934.00
	Hai Liang Xingfu Li (海亮 • 幸福里)	19,704.30	14.95	1,657.59
	East County (東郡)	22,061.75	14.23	2,235.35
	North County (北郡)	11,923.86	6.77	2,190.22
	Fuyang 2017-33 Lot (阜陽2017-33號地塊)	4,634.42	3.36	1,695.69
	Shangjun (Fuyang 78 Lot) (上郡(阜陽78地塊))	5,300.38	3.85	1,721.42
Ganzhou	Ganzhou Rongxitai (贛州榕璽台)	18,832.00	6.32	3,510.62
	Hailiang Skyscrapers (海亮天城)	67,926.77	2.49	3,602.08

Region	Name of Projects	Total Land Value *RMB'0,000*	Total GFA of reserve *10,000 sq.m.*	Average cost per sq.m. *RMB/sq.m.*
Guangzhou	Licheng Lot (83001220A16159荔城街慶豐村83001220A16159宅地)	**53,537.40**	3.47	14,999.46
Haining	Haining 18130 Lot (Haining Xieqiao New Lot) (海土字18130號地塊(海寧斜橋新地塊))	**44,200.00**	14.36	3,938.78
Hangzhou	Gentle Mansion (君悦府)	**20,190.00**	4.98	5,862.98
	Hangzhou Wocheng Project (杭州臥城地塊－天麓府)	**24,820.00**	6.98	5,112.55
	Hangzhou Normal University Lot (杭師大地塊)	**338,437.00**	3.33	25,717.10
	Lan Sky 融信 • 瀾天	**91,200.00**	4.38	5,739.46
	Yangxing Capital 融信 • 永興首府	**36,153.90**	0.57	13,076.20
	Xiaoshan Residence 融信 • 蕭山公館	**127,517.00**	1.16	18,558.95
	Jingkai Project (經開地塊－大國璟)	**43,579.50**	4.20	16,001.87
	Yinhe Primary School Project (銀河小學地塊(江南學府))	**92,412.00**	9.58	13,821.51
	Qinglong Project (慶隆地塊－融信公館)	**120,411.00**	5.92	31,404.00
	Qianjiang Century City Project (錢江世紀城地塊(創世紀))	**228,480.00**	16.67	19,229.86
	Hangzhou 2016-48 Lot (余政儲出(2016)48號張家壩港西、康良路北地塊－沐水瀾軒)	**65,706.00**	6.12	16,720.79
	Hangzhou 2017-4 Lot (蕭政儲出(2017)4號靖江花神廟地塊－蕭山空港)	**43,083.27**	6.13	5,100.74
	Hangzhou 2017-1 Lot (蕭政儲出(2017)1號)	**197,904.88**	9.52	30,816.04
	Hangzhou XH1306-03 (留下單元XH1306-03地塊)	**18,776.00**	1.32	26,106.20
	Hangzhou XH1306-02 Lot (留下單元XH1306-02地塊－西溪雲廬)	**8,897.00**	0.67	27,278.95
	Hangzhou 2017-44 Lot (杭政儲出【2017】44號－古翠隱秀)	**385,288.13**	13.52	40,541.60
	Hangzhou 2017-42 Lot (杭政儲出【2017】42號－祥符東)	**55,810.50**	3.40	24,703.96
	Hangzhou 2017-14 Lot (蕭政儲出【2017】14號－德信蜀山)	**50,057.51**	4.15	16,579.62
	Hangzhou 2017-20 Lot (蕭政儲出【2017】20號－下湘湖)	**161,312.20**	10.00	22,949.96
	Linangchu Lot 43 (良渚43號地塊)	**85,459.17**	7.33	16,004.79
	Hushu Lot (湖墅地塊)	**35,469.90**	1.67	31,551.04
	Xiaoshan 2018-4 Shushan Unit Lot (蕭政儲出(2018)4號蜀山單元地塊)	**19,381.86**	1.63	8,441.83
	Xiaoshan 2018-14 Lot (蕭政儲出(2018)14號地塊)	**324,532.91**	27.07	17,133.99
	Dingqiao R21-05 Lot (丁橋單元R21-05號地塊)	**42,603.90**	2.67	17,161.86

Region	Name of Projects	Total Land Value *RMB'0,000*	Total GFA of reserve *10,000 sq.m.*	Average cost per sq.m. *RMB/sq.m.*
Hefei	Tangning Mansion (唐寧府－合肥)	**18,446.52**	1.40	18,155.55
Huzhou	Anji Development Zone (安吉開發區)	**5,165.91**	2.43	2,985.69
Jiaxing	Tongxiang 2017-52 Lot (桐土儲【2017】52號地塊)	**8,859.98**	3.53	3,219.19
	Haining 2018-004 Lot (海土字(2018)004號地塊)	**49,590.00**	9.60	7,199.70
Jinhua	Jinhua 2017-7 Lot (金市土讓告字【2017】7號，地塊一宋濂路北側地塊，葉宅北地塊)	**70,895.53**	7.78	12,550.00
	Jinhua 2017-10 Lot (【2017】10號康濟路地塊)	**27,130.73**	3.16	8,466.77
Lanzhou	Binhe Yi Hao (濱河一號)	**22,990.00**	18.50	1,545.70
	Xi'an Hua Fu (熙岸華府)	**15,816.08**	7.05	1,293.40
Lu'an	Luan 2017-14 Lot (六出2017-14號地塊，六安融信海亮 • 江灣城)	**31,234.50**	17.21	1,984.46
Longyan	Zijin Mountain Mansion (融信紫金山學院府)	**18,546.66**	7.46	3,146.94
Mengcheng	Mengcheng 2018-6 Lot (蒙城2018-6號地塊)	**6,890.40**	4.09	2,102.04
Nanjing	Nanjing 2016G58 Lot (南京仙林2016G58地塊－融築儒林花園)	**178,067.56**	10.21	24,957.12
	Nanjing Jiulonghu Project (南京九龍湖NO.2016G73地塊)	**53,700.00**	35.09	2,514.78
	Nanjing 2017G02 Lot (NO.2017G02江寧區信誠大道以南、玉振路以東地塊)	**85,759.00**	8.98	12,842.08
	Nanjing G31 Lot (G31南站地塊)	**30,499.94**	3.97	12,129.86
	Nanjing G36 Lot (G36麒麟地塊)	**85,000.00**	13.35	9,464.35
Nantong	Nantong Yue Rong Shu (悅榕墅)	**24,698.85**	0.74	4,665.27
Ningbo	Ningbo Fenghua Lot (奉化原毛紡廠地塊－南山府)	**17,902.19**	3.09	8,772.53
	Jiepai 3# Lot (界牌3#地塊慈溪市古塘街道)	**21,420.00**	5.24	5,599.13
Putian	Putian PS 2017-04 Lot (PS拍–2017-04號溪白村地塊－莆田融信府)	**81,990.15**	10.88	10,032.19
Qingdao	The Ocean Costal (Qingdao West Coast Center) (海月星灣(青島西海岸中心))	**20,905.77**	10.01	3,503.70
Quzhou	Quzhou 2017(4) Lot (衢市儲(2017)4號－中梁壹號院)	**66,359.25**	8.28	10,456.51
Xiamen	Xiamen Bowan (廈門同安鉑灣)	**263,400.00**	18.54	23,207.05
	Xiamen 2017TP01 LOT (2017TP01－融信廈門海悅府)	**68,556.00**	3.73	31,520.00

Region	Name of Projects	Total Land Value *RMB'0,000*	Total GFA of reserve *10,000 sq.m.*	Average cost per sq.m. *RMB/sq.m.*
Shanghai	French Legend (法蘭西世家(愷岱))	**61,850.00**	0.84	10,803.49
	Shanghai Xujing Project (徐涇鎮會展中心3地塊(凱泰))	**236,050.00**	33.44	8,538.61
	Imperial Villa(融信鉑灣)	**72,012.00**	1.13	11,396.29
	Shanghai Huacao Lot II (KaiYU) (閔行區華漕鎮MHPO-1402 單元41-02地塊(愷譽))	**20,315.00**	1.67	6,165.40
	Shanghai Huacao Lot II (Kairi) (閔行區華漕鎮 MHPO-1402單元35-01地塊(愷日))	**10,110.00**	1.13	6,017.86
	Shanghai Huacao Lot III (Kaichong) (閔行區華漕鎮 MHPO-1402單元36-01地塊(愷崇))	**4,192.50**	0.45	6,098.18
	Shanghai Huacao Lot IV (Kaichang) (閔行區華漕鎮 MHPO-1402單元42-01地塊(愷暢))	**23,580.00**	1.21	6,100.91
	Platinum (融信鉑爵)	**49,980.00**	2.21	15,408.81
	Shanghai Jingan Zhangxin Lot (靜安中興地塊)	**550,500.00**	6.10	100,090.91
	Shanghai Qingpu Lot (青浦36-01地塊)	**59,788.04**	3.86	21,610.30
	Xinjiangwan City (新江灣城)	**157,750.00**	4.59	52,839.87
	Shanghai Yangpu Lot (楊浦區 平涼社區02B1-06地塊)	**15,667.06**	0.74	25,592.76
Shaoxing	Shengzhou Project (嵊州項目)	**142,043.30**	73.73	2,576.72
Suzhou	Suzhou 2016 2-4 Lot (昆山(2016)2-4地塊)	**135,150.00**	13.56	13,573.43
	Suzhou Tang Ning Fu (唐寧府－蘇州)	**159,885.00**	7.74	15,992.52
Tianjin	Tianjin 2013-92 Lot (津靜(掛)2013-92號靜海區團泊新城東區)	**97,744.67**	14.74	8,237.63
	Tianjin 2016-06 Lot (津南(掛)2016-06號津南區北閘口鎮)	**99,967.73**	9.77	12,959.16
Tongling	Tongling Lanshan Fu (銅陵瀾山府)	**3,178.20**	6.13	713.65
Xi'an	Hai Liang De Wen Jun (海亮 • 德文郡)	**24,282.22**	9.46	2,545.62
	Hai Liang Tang Ning Fu (海亮 • 唐寧府)	**10,148.95**	6.98	1,960.03
	Hai Liang Xi Yue (海亮熙悅)	**788.48**	2.12	445.76
	Hailiang • Yuchen (海亮 • 御辰)	**6,574.97**	3.46	2,572.61
Yinchuan	Binhe No.1 Project (濱河壹號)	**6,509.80**	14.13	529.80
	Haimao No.1 Project (海茂壹號院)	**11,271.03**	7.93	1,319.04
	Shiyuefu Project (世悅府)	**9,413.10**	10.04	1,280.77

Region	Name of Projects	Total Land Value RMB'0,000	Total GFA of reserve 10,000 sq.m.	Average cost per sq.m. RMB/sq.m.
Zhangzhou	Zhangzhou Wanke City (漳州萬科城)	**30,080.00**	20.65	1,773.17
	Imperial Land (一品江山(海融一號作品))	**26,000.00**	13.21	2,206.19
	Festival City (觀山海(漳州港又一城))	**31,951.00**	2.99	1,548.76
	Future City (融信 • 未來城)	**30,000.00**	3.45	2,572.90
	Zhangzhou Harbor B6 Lot (漳州港B6(學院名築)半山雲頂)	**57,800.00**	8.45	4,058.99
	Zhangzhou Harbor B8 Lot (漳州港B8(半山雅墅)西西里)	**51,800.00**	2.89	4,868.42
	Zhangzhou 2017P01 Lot (2017P01漳華東路地塊-融信漳州壹號府)	**148,848.00**	17.59	10,897.04
Zhenjiang	Jurong 2017-J10-2–02 Lot (句容2017-J10-2–02號地塊)	**8,161.68**	2.25	4,837.12
Zhengzhou	Zhengzhou 2013-58 Lot (牟政出2013(58)號)	**26,900.40**	21.85	1,506.82
	Yijiangnan (憶江南)	**22,211.56**	52.19	470.25
	Hailiang time ONE (海亮時代ONE)	**37,992.35**	12.56	3,284.25
	Xingyang Yijiangnan Lot-2 (滎陽市憶江南地塊–2)	**21,280.30**	37.93	722.41
	Xingyang Yijiangnan Lot-3 (滎陽市憶江南地塊–3)	**7,782.66**	20.11	552.13
	Zhengzhou Delan Lot (鄭州德蘭地塊)	**11,750.40**	22.59	520.13
Chongqin	Chongqing Q02-2–1/03 Lot (Q02-2–1/03號宗地巴南區龍洲灣Q分區地塊=龍洲灣)	**104,265.30**	23.68	6,189.33
Zhoushan	Zhoushan Project (環南街道-舟山定海)	**27,698.71**	5.46	4,323.62
Total		**8,564,158.51**	**1,291.56**	**6,356.00**

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 13.27% from RMB30,341.40 million for the year ended 31 December 2017 to RMB34,366.50 million for the year ended 31 December 2018. The Group derived its revenue primarily from (i) the sales of properties in the PRC; (ii) certain construction services with local PRC governments with respect to the construction of resettlement housing and (iii) the rental income generated from the lease of investment properties, hotel operation and others.

The following table sets forth the details of the Group's revenue recognised from such sources for the period indicated:

	For the year ended 31 December		Change in percentage
	2018	2017	
	RMB'000	*RMB'000*	
Revenue			
Sales of properties	**33,406,515**	29,588,530	12.90%
Construction services	**650,637**	559,570	16.27%
Rental income, hotel operation and others	**309,348**	193,304	60.03%
Total	**34,366,500**	30,341,404	13.27%

The revenue of the Group increased by approximately 13.27% from RMB30,341.40 million for the year ended 31 December 2017 to RMB34,366.50 million for the year ended 31 December 2018. This increase was mainly attributable to:

(i) the increased in the recognised average selling price of properties delivered by the Group by approximately 20.79% from RMB12,013 for the year ended 31 December 2017 to RMB14,510 for the year ended 31 December 2018;

(ii) the increase in revenue generated from construction services by approximately 16.27% from RMB559.57 million for the year ended 31 December 2017 to RMB650.64 million for the year ended 31 December 2018; and

(iii) the increase in rental income generated from investment properties from RMB102.01 million for the year ended 31 December 2017 to RMB136.04 million for the year ended 31 December 2018. The others comprise mainly hotel operation. During the year, revenue from hotel operation of the Group was RMB144.94 million.

Revenue generated from the sales of properties amounted to RMB33,406.52 million for the year ended 31 December 2018. The following table sets forth the details of the revenue generated from the sales of properties of the Group by geographical location for the year ended 31 December 2018:

	For the year ended 31 December					
	2018			2017		
	Revenue *(RMB million)*	GFA delivered by the Group *(sq.m.)*	Average selling price *(RMB/sq.m.)*	Revenue *(RMB million)*	GFA delivered by the Group *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Hangzhou	13,331	700,069	19,042	10,380	437,654	23,717
Fuzhou	4,705	291,075	16,164	7,974	678,304	11,756
Shanghai	2,912	98,016	29,709	3,315	165,132	20,075
Zhangzhou	2,210	259,435	8,519	1,556	242,003	6,430
Fuyang	2,637	432,349	6,099	1,453	252,224	5,761
Suzhou	4,683	146,864	31,887	34	3,934	8,643
Others	2,929	374,467	7,822	4,877	683,731	7,133
Total	33,407	2,302,275	14,510	29,589	2,462,982	12,013

Cost of sales

The Group's cost of sales increased by approximately 3.89% from RMB25,316.55 million for the year ended 31 December 2017 to RMB26,301.56 million for the year ended 31 December 2018. This increase mainly refers to the costs incurred directly from its property development activities, including cost of construction, land use rights, interest capitalized and tax surcharge.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 60.50% from RMB5,024.85 million for the year ended 31 December 2017 to RMB8,064.94 million for the year ended 31 December 2018.

The Group's gross profit margin increased from 16.56% for the year ended 31 December 2017 to 23.47% for the year ended 31 December 2018, primarily because the Group delivered more properties at comparatively higher profit margins in 2018 as compared to the properties which the Group delivered in 2017.

Selling and marketing costs

The Group's selling and marketing costs include (i) staff costs for sales personnel; (ii) advertisement expenses; (iii) property management fees; and (iv) others costs including rental expense and office expense.

The Group's selling and marketing costs increased by approximately 38.91% from RMB818.51 million for the year ended 31 December 2017 to RMB1,137.01 million for the year ended 31 December 2018, primarily due to increases in the project numbers and the numbers of the sales staff of the Group as a result of increased sales activities.

Administrative expenses

The Group's administrative expenses include (i) staff costs for administrative personnel; (ii) consulting fees; (iii) other taxes; (iv) office and travel expenses; (v) office lease expenses; (vi) entertainment expenses; and (vii) others.

The Group's administrative expenses increased by approximately 53.04% from RMB876.35 million for the year ended 31 December 2017 to RMB1,341.19 million for the year ended 31 December 2018, mainly attributable to the increase in the number of new projects and project under construction of the Group.

Fair value gains on investment properties

The decrease in fair value gains on investment properties by approximately 69.62% from RMB1,108.10 million for the year ended 31 December 2017 to RMB336.64 million for the year ended 31 December 2018 was due to different development progress of the investment properties.

Other income and other gains — net

The Group's other income and other gains primarily includes (i) gains from certain unlisted equity investment; and (ii) deposits forfeited from some of the Group's prospective customers who breached the relevant property purchase agreements. The Group's other income increased from RMB45.52 million for the year ended 31 December 2017 to RMB123.46 million for the year ended 31 December 2018.

Operating profit

The Group's operating profit for the year increased by approximately 34.87% from RMB4,483.61 million for the year ended 31 December 2017 to RMB6,046.85 million for the year ended 31 December 2018.

Finance income — net

Finance income primarily consists of interest income from bank deposits and foreign exchange gains. Finance cost primarily consists of net foreign exchange losses and interest expenses of borrowings. The Group recorded a net finance income of RMB223.03 million for the year ended 31 December 2017 and a net finance cost of RMB291.88 million for the year ended 31 December 2018. This variance was primarily resulted from in foreign exchange losses.

Profit before income tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before income tax increased by approximately 33.43% from RMB4,989.74 million for the year ended 31 December 2017 to RMB6,657.65 million for the year ended 31 December 2018.

Income tax expenses

The Group's income tax expense comprise provisions made for corporate income tax ("**CIT**") (including deferred income tax) and land appreciation tax ("**LAT**") in the PRC.

The Group's income tax expense increased by approximately 35.96% from RMB2,343.49 million for the year ended 31 December 2017 to RMB3,186.12 million for the year ended 31 December 2018. Specifically, CIT (including deferred income tax) increased by approximately 15.71% from RMB1,085.43 million for the year ended 31 December 2017 to RMB1,255.91 million for the year ended 31 December 2018, and LAT increased by approximately 53.43% from RMB1,258.06 million for the year ended 31 December 2017 to RMB1,930.21 million for the year ended 31 December 2018.

Amounts due from related parties

The Group's amounts due from related parties increased by approximately 110.47% from RMB3,971.79 million as of 31 December 2017 to RMB8,359.55 million as of 31 December 2018, which was mainly attributable to prepayment for acquisition of lands and properties for joint ventures.

Profit for the period attributable to owners of the Company

As a result, the Group's profit for the period attributable to owners of the Company increased by approximately 27.99% from RMB1,679.52 million for the year ended 31 December 2017 to RMB2,149.66 million for the year ended 31 December 2018.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests increased by approximately 57.63% from a profit of RMB734.44 million for the year ended 31 December 2017 to a profit of RMB1,157.67 million for the year ended 31 December 2018. This increase was primarily attributable to the recognition of revenue from sales of properties during the year ended 31 December 2018 in the respective projects, which were jointly developed with non-controlling parties.

FINANCING ACTIVITIES

Issuance of 2018 Senior Notes due 2021

On 1 February 2018, the Company issued senior notes in the aggregated principal amount of US$325,000,000 due in 2021 (the "**Original 2018 Senior Notes**") on Singapore Exchange Securities Trading Limited, with an interest rate of 8.25% per annum payable semi-annually in arrears on 1 February and 1 August of each year, commencing on 1 August 2018. Subsequently on 27 February 2018, the Company issued additional notes in the aggregate principal amount of US$100,000,000 (to be consolidated and form a single series with the Original 2018 Senior Notes) (the "**First Consolidated 2018 Senior Notes**"). The maturity date of the First Consolidated 2018 Senior Notes is 1 February 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the First Consolidated 2018 Senior Notes, at a pre-determined redemption price.

On 12 July 2018, the Company issued additional notes in the aggregate principal amount of US$225,000,000 (to be consolidated and form a single series with the Original 2018 Senior Notes) (the "**Second Consolidated 2018 Senior Notes**"). The maturity date of the Second Consolidated 2018 Senior Notes is 1 February 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the Second Consolidated 2018 Senior Notes, at a pre-determined redemption price.

On 4 September 2018, the Company issued additional notes in the aggregate principal amount of US$150,000,000 (to be consolidated and form a single series with the Original 2018 Senior Notes) (the "**Third Consolidated 2018 Senior Notes**" and together with the Original 2018 Senior Notes and the First Consolidated 2018 Senior Notes, the Second Consolidated 2018 Senior Notes and the Third Consolidated 2018 Senior Notes, "**2018 Senior Notes**"). The maturity date of the Third Consolidated 2018 Senior Notes is 1 February 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the Third Consolidated 2018 Senior Notes, at a pre-determined redemption price.

For more details, please refer to the announcements of the Company dated 25 January 2018, 26 January 2018, 2 February 2018, 12 February 2018, 13 February 2018, 1 March 2018, 27 March 2018, 10 July 2018, 11 July 2018, 17 July 2018, 30 August 2018, 31 August 2018 and 6 September 2018, and the relevant offering memorandums.

As at the date of this annual report, the Group had utilised all the net proceeds from the issuance of the 2018 Senior Notes to refinance certain existing indebtedness, which was consistent with the purposes disclosed in the aforesaid announcements.

Issuance of 2018 Senior Notes due 2020

On 19 December 2018, the Company issued senior notes in the aggregated principal amount of US$200,000,000 due in 2020 on Singapore Exchange Securities Trading Limited, with an interest rate of 11.5% per annum payable semi-annually in arrears on 3 July 2019, 3 January 2020 and 3 July 2020 ("**December 2018 Senior Notes**"). The maturity date of the December 2018 Senior Notes is 3 July 2020. At any time prior to maturity, the Company may at its option redeem the December 2018 Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the December 2018 Senior Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to maturity, the Company may redeem up to 35% of the aggregate principal amount of the December 2018 Senior Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 111.5% of the principal amount of the December 2018 Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

For more details, please refer to the announcements of the Company dated 19 December 2018 and 20 December 2018.

As at the date of this annual report, the Group had utilised all the net proceeds net proceeds from this offering to refinance certain existing indebtedness which was consistent with the purposes disclosed in the aforesaid announcements.

Placing in 2017 and 2018

Reference is made to the Company's announcement dated 30 October 2017 (the "**2017 Placing Announcement**"). The Group successfully raised a net proceeds of HK$1,199.5 million through the placing (the "**2017 Placing**") of 142,452,500 existing shares (the "**2017 Placing Shares**") by Dingxin Company Limited ("**Dingxin**"), a controlling shareholder of the Company, to not less than six independent professional, institutional and other individual investors at the placing price of HK$8.52 each on 7 November 2017 for the Company's development purposes and as general working capital of the Group. The Company subsequently allotted and issued 142,452,500 new shares to Dingxin. Upon the completion of the 2017 Placing, the Company received gross proceeds of approximately HK$1,213.7 million and net proceeds, after deducting all applicable costs and related expenses, of approximately HK$1,199.5 million, representing a net issue price of approximately HK$8.42 per 2017 Placing Share. The Group had utilised all the net proceeds from the 2017 Placing for the Company's development purposes and as general working capital of the Group, which was consistent with the purposes disclosed in the 2017 Placing Announcement.

Reference is made to the Company's announcement dated 6 June 2018 (the "**2018 Placing Announcement**"). The Group successfully raised a net proceeds of approximately HK$1.1 billion through the placing (the "**2018 Placing**") of 103,500,000 existing shares (the "**2018 Placing Shares**") by Dingxin, a controlling shareholder of the Company, to not less than six independent professional, institutional and/or individual investors at the placing price of HK$10.62 each on 8 June 2018 for the Company's development purposes and as general working capital of the Group. The Company subsequently allotted and issued 103,500,000 new shares to Dingxin.

Upon the completion of the 2018 Placing, the Company received gross proceeds of approximately HK$1,099,170,000 and net proceeds, after deducting all applicable costs and related expenses, of approximately HK$1.1 billion, representing a net issue price of approximately HK$10.58 per 2018 Placing Share.

As at the date of this annual report, the Group had utilised all the net proceeds from the 2018 Placing for the Company's development purposes and as general working capital of the Group, which was consistent with the purposes disclosed in the 2018 Placing Announcement.

Issuance of Asset-backed Securities in 2018

On 20 September 2018, Rongxin (Fujian) Investment Company Limited* (融信（福建）投資集團有限公司) ("**Rongxin Investment**"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued asset-backed securities on the Shenzhen Stock Exchange which were backed by the account receivables for the balance payment of properties sold (the "**ABS**") in the aggregate principal amount of RMB1,300,000,000 to certain qualified investors in the PRC (the "**Issue**"). The ABS has a coupon rate of 7.5% per annum and is expected to become due on 31 July 2020. The proceeds from the Issue are expected to be used for general working capital purposes of the Group. For further details, please refer to the announcement of the Company dated 24 September 2018.

As at the date of this annual report, the Group had utilised all the net proceeds from the issuance of the ABS.

Completion of the partial redemption at the option of holders of Senior Notes due 2019

Reference is made to the announcements of the Company dated 2 December 2016 and 15 February 2017 in relation to the issue of the 6.95% senior notes due 2019 (the "**2019 Notes**"). On 20 December 2018, the Company announced that it has, at the put option of the holders, repurchased an aggregate principal amount of US$229,735,000 of the 2019 Notes held by such holder from 8 December 2018 to 20 December 2018 at 100.00% of the principal amount of the 2019 Notes plus accrued and unpaid interest to (but not including) the repurchase dates. The aggregate repurchase price paid by the Company is US$229,811,421.99. For more details, please refer to the announcement of the Company dated 20 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's net current assets amounted to RMB52,798.12 million (2017: RMB61,564.76 million). Specifically, the Group's total current assets increased by approximately 20.03% from RMB150,348.59 million as at 31 December 2017 to RMB180,468.55 million as at 31 December 2018. The Group's total current liabilities increased by approximately 43.80% from RMB88,783.83 million as at 31 December 2017 to RMB127,670.43 million as at 31 December 2018. The increase in the Group's total current assets was primarily attributable to (i) the increase in amounts due from related parties by approximately 110.47% from RMB3,971.79 million as at 31 December 2017 to RMB8,359.55 million as at 31 December 2018, (ii) the increase in properties under development by approximately 28.37% from RMB90,900.27 million as at 31 December 2017 to RMB116,692.07 million as at 31 December 2018; and (iii) the increase in cash and bank balance by 21.63% from RMB20,517.15 million as at 31 December 2017 to RMB24,995.66 million as at 31 December 2018.

As at 31 December 2018, the Group had cash and bank balance of RMB24,995.66 million (2017: RMB20,517.15 million), total borrowings of RMB62,532.83 million (2017: RMB69,453.61 million) and a weighted average effective interest rate for outstanding borrowings of approximately 7.09% (including bank borrowings, trust and other borrowings, the Domestic Corporate Bonds, the Senior Note and the Asset-backed Securities) (2017: approximately 6.90%).

As at 31 December 2018, the aggregated issued amount of the Domestic Corporate Bonds was RMB10,454.46 million, representing approximately 16.72% of the total borrowings of the Group.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's borrowings were secured by the Group's assets of RMB47,269.6 million (2017: RMB68,691.9 million), which include (i) completed properties held for sale; (ii) properties under development; (iii) property, plant and equipment; (iv) land use rights; (v) restricted cash and (vi) investment property. Certain borrowings from financial institution were also secured by the equity interests of certain subsidiaries.

PROVISION OF A GUARANTEE IN FAVOUR OF A BANK FOR NANJING KAIJINGSHENG

On 14 August 2017, Rongxin Investment, as guarantor, entered into a guarantee agreement in favour of Bank of Beijing Co., Ltd., Nanjing Branch* (北京銀行股份有限公司南京分行) (the "**First Creditor**"), pursuant to which Rongxin Investment has agreed to provide guarantee for the due performance of the repayment obligations of Nanjing Kaijingsheng Property Development Co., Ltd.* (南京愷璟晟房地產開發有限公司) ("**Nanjing Kaijingsheng**"), a company established in the PRC with limited liability which is indirectly owned as to 49% by the Company as at the date of this annual report, to the First Creditor under the loan agreement entered into between Nanjing Kaijingsheng and the First Creditor on the same date in relation to the grant of loan in the principal amount of RMB800 million. For further details, please refer to the announcement of the Company dated 14 August 2017.

PROVISION OF A GUARANTEE IN FAVOUR OF BANK OF BOHAI CO., LTD., SHANGHAI BRANCH

On 29 August 2018, Rongxin Investment, as guarantor, entered into a guarantee agreement in favour of the Bank of Bohai Co., Ltd., Shanghai Branch* (渤海銀行股份有限公司上海分行), (the "**Second Creditor**"), pursuant to which Rongxin Investment has agreed to provide guarantee for the due performance of the repayment obligations of Nanjing Kaijingsheng, a company established in the PRC with limited liability which is indirectly owned as to 49% by the Company as at the date of this annual report, to the Second Creditor under the loan agreement entered into between Nanjing Kaijingsheng and the Second Creditor on the same date in relation to the grant of loan in the principal amount of RMB1,300 million. For further details, please refer to the announcement of the Company dated 29 August 2018.

CONTINGENT LIABILITIES

The Group's contingent liabilities primarily include guarantees that the Group has provided to PRC banks in respect of the mortgage loans granted by the banks to purchasers of the Group's properties. The purchaser mortgage guarantees are typically released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place after the properties are delivered to the purchasers. The borrowing guarantees represent the maximum exposure of the guarantees provided for the borrowings of related parties and an independent third party at the respective balance sheet dates. The total outstanding guarantee amounts provided by the Group amounted to RMB32,066.20 million as at 31 December 2018 (31 December 2017: RMB22,704.08 million).

The Directors believe that, in case of a default by the Group's purchasers on their mortgage payments, the net realisable value of the relevant properties will be sufficient to repay the outstanding mortgage loans, together with any accrued interest and penalty. Therefore, the Group did not make any provision in connection with these guarantees. The Group also provides various quality warranties to purchasers of its properties, with a term ranging from one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are covered by back-to-back warranties provided to the Group by the respective construction contractors. In addition, the Group has, from time to time, also been a party to lawsuits and other legal proceedings in the normal course of business.

Current ratio

As at 31 December 2018, the current ratio of the Group was 1.41 times (31 December 2017: 1.69 times). The decrease in the Group's current ratio was mainly attributable to the increase of pre-sales properties included in current liabilities.

Gearing ratio

As at 31 December 2018, the gearing ratio of the Group was 1.05 (2017: 1.59), decrease is mainly due to the decrease of total borrowings. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to focus on its existing property development business and acquiring high-quality land parcels in the first-tier and second-tier cities in the PRC. No concrete plan for future investments is in place for the Group as at the date of this annual report.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. As at 31 December 2018, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollars or Hong Kong dollars, in the total amount of approximately RMB7,680.77 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to its shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed below, during the year ended 31 December 2018, the Group did not perform any material acquisition or disposal of subsidiaries and associated companies.

Acquisition of land by way of acquiring the entire equity interests of a company

On 9 February 2018, Zhengzhou Rongzhu Property Development Co., Ltd.* (鄭州融築房地產開發有限公司) ("**Zhengzhou Rongzhu**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhengzhou Zhongqiao Real Estate Development Company Limited* (鄭州中喬房地產開發有限公司) ("**Zhengzhou Qinghuayuan**"), pursuant to which Zhengzhou Rongzhu has agreed to acquire, and Zhengzhou Qinghuayuan has agreed to dispose of, the entire equity interest in Zhengzhou Keboke Enterprise Management Consultancy Co., Ltd.* (鄭州克博克企業管理諮詢有限公司), holder of the land use rights of a land located at Zhengzhou City, Henan Province, the PRC, at a consideration of RMB801.9 million.

For further details of this acquisition, please refer to the announcements of the Company dated 9 February 2018.

Capital contribution in Qingdao Tianye and Qingdao Tianhe

On 20 August 2018, Qingdao Ronshine Rongmei Property Development Co., Ltd.* (青島融信融美房地產開發有限公司) ("**Qingdao Ronshine**"), a wholly-owned subsidiary of the Company, successfully won the tender to participate in the increase in registered capital of Qingdao Xihaian Tianye Construction Development Co., Ltd.* (青島西海岸天業建設發展有限公司) ("**Qingdao Tianye**"), a company established in the PRC and wholly owned by Qingdao Xifa Real Estate Co., Ltd.* (青島西發置業有限公司) ("**Qingdao Xifa**") as at 20 August 2018, in an amount of RMB354,918,367 ("**Tianye Capital Increase**") and the increase in registered capital of Qingdao Xihaian Tianhe Construction Development Co., Ltd.* (青島西海岸天和建設發展有限公司) ("**Qingdao Tianhe**"), a company established in the PRC and wholly-owned by Qingdao Xifa as at 20 August 2018, in an amount of RMB136,346,939 ("**Tianhe Capital Increase**"), at an aggregate consideration of RMB1,179,308,076. On the same date, Qingdao Ronshine and Qingdao Property Rights Exchange (青島產權交易所), an independent third party and a government department, entered into the tender confirmation (成交確認書) ("**Tender Confirmation**") to confirm the terms of the Tianhe Capital Increase and Tianye Capital Increase, the respective agreements of which are expected to be entered into between Qingdao Ronshine and Qingdao Xifa within three (3) days after the Tender Confirmation.

Upon completion of the Tianye Capital Increase, Qingdao Tianye will be owned as to 51% by Qingdao Ronshine and 49% by Qingdao Xifa, and Qingdao Tianhye will become an indirect non wholly-owned subsidiary of the Company.

Upon completion of the Tianhe Capital Increase, Qingdao Tianhe will be owned as to 51% by Qingdao Ronshine and 49% by Qingdao Xifa, and Qingdao Tianhe will become an indirect non wholly-owned subsidiary of the Company.

For further details, please refer to the announcement of the Company dated 20 August 2018.

Significant Subsequent Events

Exchange offer and consent solicitation in relation to outstanding Senior Notes

On 8 February 2019, the Company offered to exchange the Company's outstanding 8.25% Senior Notes due 2021 (ISIN (Reg S): XS1747665922, (Common Code (Reg S): 174766592), comprising US$325,000,000 8.25% Senior Notes due 2021 first issued by the Company on 1 February 2018, with additional issuances of US$100,000,000 8.25% Senior Notes due 2021 issued on 27 February 2018, US$225,000,000 8.25% Senior Notes due 2021 issued on 12 July 2018 and US$150,000,000 8.25% Senior Notes due 2021 issued on 4 September 2018 ("**Old Notes**") for new notes which are the US$ denominated senior notes due 2021 to be issued by the Company ("**New Notes**"), to be exchanged in accordance with the exchange offer ("**Exchange Offer**") upon the terms and subject to the conditions set forth in the exchange offer memorandum dated 8 February 2019 for those Old Notes that are accepted for exchange by the Company.

On 22 February 2019, US$390,466,000 principal amount of the Old Notes were exchanged and the Company delivered US$392,238,000 of the New Notes and US$1,083,282.69 in cash in full satisfaction of the exchange consideration for the Old Notes. Application was also sought to list the New Notes on the SGX-ST. No listing of the New Notes had been sought in Hong Kong.

On the same date, the Company issued US$207,762,000 principal amount of additional New Notes pursuant to the concurrent offering ("**Concurrent New Money Issuance**") by the Company to issue and sell the additional New Notes that will form a single series with the corresponding New Notes issued in the Exchange Offer. The aggregate principal amount of the New Notes issued was US$600,000,000.

The Company conducted the Concurrent New Money Issuance for the purpose of refinancing existing indebtedness of the Group. For further details, please refer to the announcements of the Company dated 8 February 2019, 12 February 2019, 18 February 2019, 19 February 2019 and 22 February 2019.

Issuance of 2019 Senior Notes

On 18 February 2019, the Company issued additional new notes in the aggregated principal amount of US$207,762,000 due in 2021 (the "**Additional New Notes**") on Singapore Exchange Securities Trading Limited. The Additional New Notes will be consolidated and form a single series with the US$392,238,000 principal amount of New Exchange Notes (Settlement Date is expected to occur on or about February 22, 2019) to be issued pursuant to the Exchange Offer (the "**2019 First Senior Notes**"). Upon consolidation, the total outstanding principal amount of the 2019 First Senior Notes will be US$600,000,000, with an interest rate of 11.25% per annum payable semi-annually in arrears.

The maturity date of the 2019 First Senior Notes is 22 August 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the 2019 First Senior Notes, at a pre-determined redemption price.

Subsequently on 25 February 2019, the Company issued senior notes in the aggregate principal amount of US$300,000,000 (the "**2019 Second Senior Notes**"). The maturity date of the 2019 Second Senior Notes is 1 March 2022, with an interest rate of 10.50% per annum payable semi-annually in arrears.

The maturity date of the 2019 Second Senior Notes is 1 March 2022. At any time and from time to time before the maturity date, the Company may at its option redeem the 2019 First Senior Notes, at a pre-determined redemption price.

Public Offering of the 2019 Domestic Corporate Bonds in the PRC

On 28 February 2019, Rongxin (Fujian) Investment Group Co., Ltd.* (融信（福建）投資集團有限公司), an indirect subsidiary of the Company established in the PRC, proposed to lodge an application to the Shanghai Stock Exchange to undertake public offering(s) of domestic corporate bonds to qualified investors with an aggregate principal amount of not more than RMB4.0 billion (RMB4.0 billion inclusive) (the "**2019 Domestic Corporate Bonds**"). Upon receipt of the approval from the Shanghai Stock Exchange, the 2019 Domestic Corporate Bonds shall be issued by the Company in certain tranches in the PRC.

The 2019 Domestic Corporate Bonds are non-guaranteed bonds, and satisfy the basic conditions for conducting securities-pledged repurchase. For further details, please refer to the announcement of the Company dated 28 February 2019

Equity Interest Transaction

On 15 March 2019, Fujian Taikun Trading Company Limited (福建泰坤貿易有限公司) (a wholly owned subsidiary of the Company) (the "**Seller**") and Greenland Property Group Co., Ltd (綠地地產集團有限公司) (the "**Purchaser**") entered into a property transaction agreement, pursuant to which the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase, the sale equity interest, representing 50% of the equity interest of Shanghai Kaitai Property Development Co., Ltd. (上海愷泰房地產開發有限公司) (a property holding company and its principal assets are the Properties, and a joint venture between the Group and the Purchaser)(the "**Target Company**") at an aggregate consideration of RMB1,005,000,000 (equivalent to approximately HK$1,175,146,500), which will be satisfied by the Purchaser to the Seller in cash upon completion. Upon completion of the transfer, the Target Company ceased to be an associate of the Seller and the Seller ceased to hold, directly or indirectly, any interest in the Target Company and, in substance, the properties constructed under the Shanghai Xujing Project in Qingpu district of Shanghai in the PRC.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ou Zonghong, aged 50, is the founder of the Group. Mr. Ou has been a Director since 11 September 2014, the chairman of the Board since 1 December 2014 and was re-designated as the executive Director and appointed as the chief executive officer of the Company on 15 December 2014. Mr. Ou is the chairman of the nomination committee and a member of the remuneration committee of the Company since 13 January 2017. Mr. Ou is primarily responsible for the overall development strategy and daily operation of the Group. He has more than 20 years of experience in the property development and construction industries. Mr. Ou established Putian Transport Engineering Company Limited on 1 August 1995, which engaged in construction of motorways. On 20 April 2000, Mr. Ou started his engagement with the property related business and established Putian Transport and Real Estate Development Company Limited. On 23 September 2003, Mr. Ou established Rongxin Group. Mr. Ou has been a director of Renmin University of China since 18 October 2011. Mr. Ou has also been the managing vice president of the Federation of Fujian Enterprise and Entrepreneur since April 2012, respectively.

Mr. Ou has also assumed various positions in the subsidiaries of the Company, including the sole director of Rongda Company Limited since 11 September 2014, the sole director of Rongtai Company Limited since 26 September 2014, a director of Rongxin Group since 23 September 2003, a director of Rongxin (Zhangzhou) Property Company Limited from 7 January 2011 to 1 February 2013 and a director of Fujian Rongshengmei Business Information Consultancy Company Limited ("**Fujian Rongshengmei**") since 28 October 2014.

Mr. Ou was awarded a member of the fourteenth and fifteenth sessions of the Excellent Entrepreneurs of Fujian in December 2011 and June 2014, respectively. He also received the Silver Award of the Ten Young Entrepreneurs of Fujian in April 2008.

Ms. Zeng Feiyan, aged 43, has been an executive Director since 27 July 2015. She joined the Group in August 2013. Ms Zeng has been the joint company secretary of the Company from 15 December 2014 to 20 February 2019. Before joining the Group, Ms. Zeng Feiyan has more than 10 years of finance related experiences in various entities. Ms. Zeng Feiyan had served as the manager of the operation and financial management center and the vice director of the supervisory committee in Hopson Development Holdings Limited (a property development company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 754) from May 2003 to October 2007. She was the vice general manager responsible for finance and investment management of Guangdong Pearl River Investment Management Group Company Limited (a company principally engaged in the investment in energy and infrastructure projects) from October 2007 to September 2011, and the vice president and secretary of the board of directors of Cnhomeland Environmental Co., Ltd. (an environmental-protection company engaged in the provision of environmental solutions services) from September 2011 to August 2013.

Ms. Zeng Feiyan has been a certified public accountant authorised by the Institute of Certified Public Accountants of Guangdong Province since 7 January 2003. She has also been a senior economist as credentialed by the Senior Professional Titles Evaluation Committee of Dezhou Private Economic Organisations since 26 September 2013 and a Registered Tax Agents authorised by the Certified Tax Agents Association of Guangdong Province since 13 December 2011. Ms. Zeng Feiyan graduated from Changsha Communication College (now known as Changsha University of Science and Technology) in Changsha, Hunan province in June 1998 where she obtained a bachelor degree in accounting. Ms. Zeng Feiyan is currently a candidate of executive master of business administration in Guanghua School of Management of Peking University since March 2013.

Mr. Ruan Youzhi, aged 44, was appointed as an executive Director of the Company on 16 November 2018. Mr. Ruan graduated from Fujian Normal University* (福建師範大學) in July 2005 with a bachelor's degree in Chinese literature. Mr. Ruan currently serves as the vice president of the Company and is mainly responsible for managing the Company's investments and public relations. From August 1997 to August 2001, Mr. Ruan taught at Xianyou Fengjiang Middle School* (仙遊楓江中學). From March 2003 to May 2008, he was the reporter for Straits News* (海峽都市報). Since joining the Company in June 2008, Mr. Ruan successively worked as the director of the President Office, the general manager of the brand center, the general manager of the investment development center, the assistant to the chairman of the Board and the vice president of the Company.

Mr. Zhang Lixin, aged 41, was appointed as an executive Director of the Company on 16 November 2018. Mr. Zhang is the chief financial officer and is primarily responsible for the financial affairs of the Company. Mr. Zhang graduated from Dongbei University of Finance and Economics in July 2001 with a bachelor's degree in Management. He further obtained a master degree of Economics (Regional Economics) in April 2004. Mr. Zhang has extensive experience in the financial management. From April 2003 to September 2007, Mr. Zhang held various positions, as the finance supervisor, deputy finance manager and finance manager within a subsidiary of Dalian Wanda Group* (大連萬達集團). From September 2009 to April 2012, Mr. Zhang served initially as the deputy finance manager and subsequently as the chief financial officer in the business department of Shanghai Greenland Holdings Corporation Limited* (綠地控 股集團股份有限公司房地產業務部). From May 2012 to August 2015, he was the general manager of the financial management center within Hailiang International Holdings Limited* (海亮地產集團財務管理中心). From August 2015 to-date, Mr. Zhang is the general manager of the Company's finance center* (財務資金中心).

Ms. Yu Lijuan, aged 37, was appointed as an executive Director of the Company on 22 March 2019. Ms Yu possesses extensive experience in real estate development and management. Ms. Yu has been engaged in the real estate industry for 15 years. Ms. Yu first joined the Group in September 2007, she has since served in various positions within the Group, including serving as the marketing director of the Group, the deputy general manager of the East China region of the Company and the general manager of the Hangzhou region of the Company. Ms. Yu is currently the vice president of the Group, and concurrently serves as the president of division 1 and division 3 of the Group. Ms. Yu graduated from Fuzhou University (福州大學) in Fujian Province, China with a bachelor's degree in administrative management in July 2004. In November 2018, Ms. Yu was also awarded the title of "Top Ten Outstanding Professional Managers of Zhejiang Province for 2018" (2018年度浙江省十大傑出職業經理人).

NON-EXECUTIVE DIRECTOR

Ms. Chen Shucui, aged 45, was appointed as a non-executive Director of the Company on 18 June 2018. Ms. Chen graduated from Hebei University of Economics and Business (河北經貿大學) in the People's Republic of China, where she obtained a bachelor degree of trade economics in June 1997. She further obtained a master degree of currency banking from Xiamen University (廈門大學) in October 2000. Ms. Chen has over 20 years of experience in asset management and securities trading. She has been the general manager assistant of China Everwin Asset Management Co., Ltd. (華夏久盈資產管理有限責任公司) since June 2017. From July 1997 to November 2006, Ms. Chen was the general manager assistant of (i) the sales department in Beijing and (ii) the securities and asset management department in Hebei of Hebei Securities Co., Ltd. (河北證券有限責任公司). From December 2006 to April 2009, she was serving as the deputy general manager at the securities investment department of New Times Securities Co., Ltd. (新時代證券有限責任公司). From April 2009 to February 2013, Ms. Chen has been serving a number of positions in Huarong Securities Co., Ltd. (華融證券股份有限公司), including (i) deputy general manager of the asset management department and (ii) deputy general manager of its futures intermediate business. From February 2013 to December 2016, she was the general manager of the securities investment department of Dongxing Securities Co., Ltd. (東興證券股份有限公司). From December 2016 to June 2017, Ms. Chen was the assistant to the president of New Times Trust Co., Ltd. (新時代信託股份有限公司). Ms. Chen currently serves as an independent director of the board at Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) since June 2018, a company listed on the Shanghai Stock Exchange (stock code: 600208).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan William, aged 58, Justice of the Peace, has been an independent non-executive Director and a member of the audit committee and the nomination committee of the Company since 13 January 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Dr. Lo is currently the executive chairman of SMI Holdings Ltd., (a company listed on the Main Board of the Stock Exchange which principally engages in operating movie theatres in the PRC, stock code: 198). He is also the chairman of Captcha Media Ltd, a digital marketing & strategy agency, as well as that of a new retail advisory platform, OtoO Academy Limited & Strategenes Limited, a financial & strategy advisory firm in Hong Kong. Dr. Lo is a founding governor of the Charles K Kao Foundation for Alzheimer's Disease as well as The Independent Schools Foundation Academy, one of the most well-known independent schools in Hong Kong. He has also been the chairman of Junior Achievement Hong Kong since 2013. Dr. Lo served as an executive director and vice president of China Unicom Limited (a company listed on the Main Board of the Stock Exchange which principally engages in the provision of cellular and fixed-line voice and related value-added services, stock code: 762) from July 2002 to March 2006, an independent non-executive director of I.T Limited (a company listed on the Main Board of the Stock Exchange which principally engages in retailing and trading fashion wears and accessories, stock code: 999) from October 2004 to May 2006, and an executive director, vice chairman, managing director and chief financial officer of I.T Limited from May 2006 to May 2009. He had also served as the vice chairman of South China Media Group from September 2011 to August 2014.

Dr. Lo currently serves as an independent non-executive director or independent director in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
SITC International Holdings Company Limited	accompany principally engaged in the provision of marine transportation services	listed on the Main Board of the Stock Exchange (stock code: 1308)	an independent non-executive director since September 2010
Jingrui Holdings Limited	a company engaged in Property development	listed on the Main Board of the Stock Exchange (stock code: 1862)	an independent non-executive director since October 2013
CSI Properties Limited	a company engaged in property development	listed on the Main Board of the Stock Exchange (stock code: 497)	an independent non-executive director since April 2014
Television Broadcasts Limited	a free-to-air TV broadcaster and a commercial Chinese program producer	listed on the Main Board of the Stock Exchange (stock code: 511)	an independent non-executive director since February 2015
Nam Tai Property Inc. (formerly known as Nam Tai Electronic Inc.)	a company currently and principally engaged in property development and management	listed on the New York stock exchange (stock code: NTP)	an independent director since July 2003
Hsin Chong Group Holdings Limited	a company currently and principally engaged in building construction, civil engineering, electrical and mechanical installation, interiors and special projects, property development and investment	listed on the Main Board of the Stock Exchange (stock code: 404)	an independent non-executive director since June 2018

Dr. Lo has been appointed as Justice of the Peace by the government of the HKSAR on 1 July 1999. He was also appointed as a member of Shantou Committee of Chinese People's Political Consultative Conference from 2003 to 2016. Dr. Lo graduated from University of Cambridge in the United Kingdom with a master degree in philosophy and a doctor degree in philosophy engineering in March 1986 and March 1988, respectively. He is also an academician of Downing College of University of Cambridge.

Mr. Ren Yunan, aged 44, has been an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company since 13 January 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Ren obtained a bachelor degree in law from Peking University in Beijing in July 1997 and a master degree in law from Harvard University in the U.S. in June 1999. Mr. Ren has been qualified to practice law in New York, the U.S. since March 2000 and also admitted to practice in Hong Kong since March 2003 and currently is not in private practice in Hong Kong. Mr. Ren currently focuses on technology investment.

Mr. Ren currently holds or has in the past three years held directorship in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
China Child Care Corporation Limited (formerly known as Prince Frog International Holdings Limited)	a company principally engaged in the design and provision of children care products	listed on the Main Board of the Stock Exchange (stock code: 1259)	an independent non-executive director from February 2011 to October 2015 and a non-executive director from October 2015 to April 2018
Labixiaoxin Snacks Group Limited	a snack food provider	listed on the Main Board of the Stock Exchange (stock code: 1262)	a non-executive director from February 2015 to May 2017
SPI Energy Co., Ltd. (formerly known as Solar Power, Inc.)	a photovoltaic project developer	shares are traded on the NASDAQ in the U.S. (stock code: SPI)	an independent director from April 2015 to May 2017
International Entertainment Corporation	a hotel and entertainment company in the Philippines	listed on the Main Board of the Stock Exchange (stock code: 1009)	an independent non-executive director from May 2017 to July 2018
LEAP Holdings Group Limited	an investment holding company, which together with its subsidiaries is principally engaged in provision of foundation works and ancillary services, construction wastes handling, investments in securities and money lending business	listed on the Main Board of the Stock Exchange (stock code: 1499)	an executive director, chairman of the board and the chief executive officer Since July 2018

Mr. Qu Wenzhou, aged 47, has been an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company since 13 January 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Qu served as a professor at the School of Management of Xiamen University* (廈門大學管理學院) since 2005. Mr. Qu has served as an independent non-executive director or independent director in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Mingfa Group (International) Company Limited	a property development company	listed on the Main Board of the Stock Exchange (stock code: 846)	non-executive director and chairman of the audit committee from 19 August 2010 to 4 September 2018
Fujian Cosunter Pharmaceutical Co., Ltd	a pharmaceutical company	Listed on Shenzhen Stock Exchange (stock code: 300436)	an independent director from 2 December 2014 to 20 December 2017
Guangdong Baolihua New Energy Stock Co., Ltd	a energy company	Listed on Shenzhen Stock Exchange (stock code: 000690)	an independent director since 24 March 2015
Fujian Septwolves Industry Co., Ltd	a fashion design and manufacturing company	Listed on Shenzhen Stock Exchange (stock code: 002029)	an independent director since 8 July 2016
Geo-Jade Petroleum Corporation	a petroleum company	Listed on Shanghai Stock Exchange (stock code: 600759)	an independent director since 27 July 2016
China Merchants Shekou Industrial Zone Holdings	a China-based company principally engaged in the development and operation of industrial parks, communities and cruise business	Listed on Shenzhen Stock Exchange (stock code: 001979)	an independent director from 12 September 2018 to 11 September 2021

Mr. Qu has been a member of the eleventh All-China Youth Federation since August 2010. He was awarded the Youth May 4th Medal of Fujian Province in May 2008. He has been a certified public accountant authorised by The Chinese Institute of Certified Public Accountants since November 2003 and a chartered financial analyst authorised by the

Chartered Financial Analyst Institute since November 2004. Mr. Qu graduated from Xiamen University in Xiamen, Fujian province with a bachelor degree in science in July 1995. He also obtained his master degree in economics in June 1999, master degree in business administration in October 2001 and doctor degree in economics in December 2003 from Xiamen University.

Mr. Ruan Weifeng, aged 42, was appointed as an independent non-executive Director of the Company on 22 March 2019. Mr. Ruan is a practising full-time lawyer in the People's Republic of China for 19 years. He graduated from the Faculty of Law of the Northwest University of Political Science and Law (西北政法學院) (previously known as Northwest College of Political Science and Law) in July 1999, and obtained a bachelor's degree in law upon finishing its full-time legal undergraduate program. Mr. Ruan was admitted as a lawyer in 1999. From June 2000 to September 2001, he served as a full-time lawyer of Fujian Mentors Law Firm* (福建名仕律師事務所), where he was mainly responsible for handling non-performing asset businesses for financial institutions and asset management companies. From October 2001 to April 2006, he served as a full-time lawyer in Fujian Huiyang Law Firm* (福建輝揚律師事務所). He also successively served as a legal advisor to a number of banks, enterprises and institutions, and had handled nearly 100 civil and commercial cases. From April 2006 to July 2012, he served as a partner of the Fuzhou branch of Beijing Horizon Lawyers* (北京市地平線律師事務所福州分所), where he was primarily responsible for the business development and management of the non-litigation department. Since August 2012, he has established Fujian Gong Lue Law Firm* (福建攻略律師事務所), where he held the position of partner and director. Fujian Gong Lue Law Firm* is mainly engaged in advising on corporate legal matters, non-contentious legal practice areas such as finance, insurance, investment, mergers and acquisitions, global wealth planning (civil trust) matters, as well as handling other complex litigation and arbitration cases.

SENIOR MANAGEMENT

The senior management of the Group include the five executive Directors as disclosed above.

JOINT COMPANY SECRETARIES

Mr. Yu Zuoyi and Ms. Ng Wing Shan are the joint company secretaries of the Company.

Mr. Yu Zuoyi, aged 45, holds a Bachelor of Accounting degree from Hainan University (formerly known as South China University of Tropical Agriculture) in the People's Republic of China. From August 1995 to March 2011, Mr. Yu worked as a company accountant, finance manager, audit manager, finance director and securities manager within Tahoe Group Co., Ltd. (泰禾集團股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code 000732, during which he was mainly responsible for financial management, financial and auditing related matters, internal system construction, asset and debt restructuring, mergers and acquisitions, internal standardization and administration, disclosure of information, and other matters related to listing. Since April 2011, Mr. Yu has been serving variously as the Company's finance supervisor, senior manager and senior director and is mainly responsible for other matters related to listing, such as financial management and disclosure of information.

Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Report of Directors

The Directors are pleased in presenting this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Laws of the Cayman Islands (the "**Cayman Companies Law**"). The shares of the Company (the "**Shares**") were listed on the Stock Exchange on 13 January 2016.

Principal Activities

The Company is an investment holding company and together with its subsidiaries, joint ventures and an associated company is a property developer in the PRC primarily engaged in the development of mid- to high-end residential properties and commercial properties in cities in the Western Taiwan Straits Economic Zone, Yangtze River Delta Economic Region and selected first- and second-tier cities in the PRC. The Western Taiwan Straits Economic Zone is an area centering on the coastal areas of Fujian province known for entrepreneurship and economic growth.

Details of the principal activities of the principal subsidiaries of the Group are set out in note 10a to the consolidated financial statements of the Group in this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2018. As at the date of this annual report, the Board has no intention to significantly change the principal business of the Group.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income of the Group in this annual report. The Group's business review and future business development are provided in the section headed "Chairman's Statement" in this annual report. An analysis of the Group's performance using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" in this annual report.

A five year financial summary of the Group for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 have been set out on page 206 in this annual report.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the section headed "Management Discussion and Analysis — Material acquisition and disposal" in this annual report, during the year ended 31 December 2018, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements of the Group in this annual report.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2018 are set out in note 26 to the consolidated financial statements of the Group in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity in this annual report. As at 31 December 2018, the distributable reserve of the Company amounted to approximately RMB3,060.2 million.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Wednesday, 5 June 2019.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.365 (equivalent to RMB0.32) per Share for the year ended 31 December 2018 (the "**Final Dividend**"), totaling RMB512,104,000, to the Shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 1 August 2019 (2017: Nil). If the resolution for the proposed Final Dividend is passed at the AGM, the proposed Final Dividend will be payable on or before Friday, 30 August 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Saturday, 1 June 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 31 May 2019.

For the purpose of determining the entitlement of the Final Dividend, the register of members of the Company will be closed from Monday, 29 July 2019 to Thursday, 1 August 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitling the Final Dividend, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 26 July 2019.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group primarily targets customers from middle to upper-middle income households who are looking to either purchase their first homes or upgrade their living environment. The Group also derived revenue from certain local governments in Fuzhou City for the Group's services under construction contracts. For the year ended 31 December 2018, the five largest customers of the Group accounted for 3.65% of the revenue of the Group, and the single largest customer of the Group accounted for 1.20% of the revenue of the Group during the same period.

All of the five largest customers of the Group (except local governments as counter-parties to the Group's construction contracts) for the year ended 31 December 2018 are individual purchasers of the Group's properties, and all of them are independent third parties. To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group during the year ended 31 December 2018.

Major Suppliers

For the year ended 31 December 2018, the five largest suppliers of the Group, primarily comprising construction companies which are the Group's contractors and each an independent third party, accounted for 39.78% of the total purchases of the Group, and the single largest supplier of the Group accounted for 14.94% of the Group's total costs of sales during the same period.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers of the Group during the year ended 31 December 2018.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that the employees, customers and suppliers are the keys to corporate sustainability and is keen on developing long-term relationships with its stakeholders.

The Company places significant emphasis on human capital and strives to foster an environment in which employees can develop their full potential and to assist their personal and professional growth. The Company provides a fair and safe workplace, promoting diversity to our staff, providing competitive remuneration and benefits and career development opportunities based on their merits and performance.

The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Company understands that it is important to maintain good relationship with customers. The Group has established procedures in place for handling customers' complaints and customer satisfaction surveys in order to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers as long-term business partners to ensure stable supplies of materials and timely delivery of power plants under construction. The Group reinforces business partnerships with suppliers and contractors by recurring communication in proactive and effective manner so as to ensure quality and delivery.

SHARE CAPITAL

On 12 June 2018, the Company allotted and issued 103,500,000 new Shares of HK$10.62 each to Dingxin Company Limited upon the completion of a placing and top-up subscription as disclosed in the announcement of the Company dated 6 June 2018. As at 31 December 2018, the Company has 1,601,260,500 Shares in issued.

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements of the Group in this annual report.

ISSUANCE OF SENIOR NOTES

On 8 December 2016, the Company issued the Original 2017 Senior Notes on Singapore Exchange Securities Trading Limited, with an interest rate of 6.95% per annum payable semi-annually in arrears. Subsequently on 14 February 2017, the Company issued additional notes in the aggregate principal amount of US$225,000,000. The maturity date of the Consolidated 2017 Senior Notes is 8 December 2019.

On 1 February 2018, the Company issued the Original 2018 Senior Notes in the aggregated principal amount of US$325,000,000 on Singapore Exchange Securities Trading Limited, with an interest rate of 8.25% per annum payable semi-annually in arrears on 1 February and 1 August of each year, commencing on 1 August 2018. Subsequently on 27 February 2018, the Company issued the First Consolidated 2018 Senior Notes in the aggregate principal amount of US$100,000,000. On 12 July 2018, the Company issued the Second Consolidated 2018 Senior Notes in the aggregate principal amount of US$225,000,000. On 4 September 2018, the Company issued the Third Consolidated 2018 Senior Notes in the aggregate principal amount of US$150,000,000.

The maturity date of the 2018 Senior Notes is 1 February 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the 2018 Senior Notes at a pre-determined redemption price. For further details, please refer to the section headed "Management Discussion and Analysis — Financing Activities" in this annual report.

On 20 December 2018, the Company has, at the put option of the holders, repurchased an aggregate principal amount of US$229,735,000 of the Original 2017 Senior Notes held by such holder from 8 December 2018 to 20 December 2018 at 100.00% of the principal amount of the Original 2017 Senior Notes plus accrued and unpaid interest to (but not including) the repurchase dates.

At any time and from time to time before the maturity date, the Company may at its option redeem the Consolidated 2017 Senior Notes, at a pre-determined redemption price. For further details, please refer to the section headed "Management Discussion and Analysis — Financing Activities" in this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors

Mr. Ou Zonghong *(Chairman and Chief Executive Officer)*
Mr. Wu Jian *(Vice President)* (resigned on 16 November 2018)
Mr. Lin Junling *(Vice President)* (resigned on 16 November 2018)
Ms. Zeng Feiyan
Mr. Ruan Youzhi (appointed on 16 November 2018)
Mr. Zhang Lixin *(Chief Financial Officer)* (appointed on 16 November 2018)
Ms. Yu Lijuan (appointed on 22 March 2019)

Independent Non-executive Director

Ms. Chen Shucui (appointed on 18 June 2018)

Independent Non-executive Directors

Dr. Lo Wing Yan William
Mr. Ren Yunan
Mr. Qu Wenzhou
Mr. Ruan Weifeng (appointed on 22 March 2019)

Mr. Wu Jian has resigned as an executive Director due to his other personal commitments with effective from 16 November 2018. Mr. Lin Junling has resigned as an executive Director due to internal work adjustment with effective from 16 November 2018 and continues to serve as vice president of the Company.

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" in this annual report.

In accordance with Article 84(1) of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at the annual general meeting at least once every three years.

In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and shall be eligible for re-election at that meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall than be eligible for re-election.

Accordingly, Ms. Zeng Feiyan and Dr. Lo Wing Yan William shall retire by rotation as Directors at the AGM according to Article 84(1) of the Articles of Association. Ms. Zeng Feiyan, being eligible, has offered herself for re-election as Director at the AGM. Dr. Lo Wing Yan William will not offer himself for re-election as Director at the AGM as he would like to devote more time to his other personal commitments. The Board would like to take this opportunity to extend its gratitude to Dr. Lo Wing Yan William for his valuable contribution to the Company during his tenure of service. Further, Ms. Chen Shucui (who was appointed as a non-executive Director with effect from 18 June 2018), Mr. Ruan Youzhi (who was appointed as an executive Director with effect from 16 November 2018), Mr. Zhang Lixin (who was appointed as an executive Director with effect from 16 November 2018), Ms. Yu Lijuan (who was appointed as an executive Director with effect from 22 March 2019) and Mr. Ruan Weifeng (who was appointed as an independent non-executive Director with effect from 22 March 2019) shall retire office at the AGM according to Article 83(3) of the Articles of Association and, being eligible, have offered themselves for re-election as Directors at the AGM.

Directors' Service Contracts

Mr. Ou Zonghong had entered into a service contract with the Company to act as an executive Director for a term of three years commencing from 13 January 2016 (the "**Listing Date**"). Mr. Ou has renewed his service contract with the Company to act as an executive Director for a term of 3 years commencing from 13 January 2019, which may be terminated pursuant to the terms of his service contract.

Ms. Zeng Feiyan has entered into a service contract with the Company to act as an executive Director for a term of three years commencing from her date of appointment (i.e. 18 June 2016), and may be terminated pursuant to the terms of her service contract.

Each of Mr. Ruan Youzhi and Mr. Zhang Lixin has entered into a service contract to act as an executive Director with the Company for a term of three years commencing from their respective date of appointment (i.e. 16 November 2018), and may be terminated pursuant to the respective terms of the service contracts.

Ms. Yu Lijuan has entered into a service contract with the Company to act as an executive Director for a term of three years commencing from her date of appointment (i.e. 22 March 2019) and may be terminated pursuant to the terms of her service contract.

Ms. Chen Shucui has entered into a service contract with the Company to act as a non-executive Director for a term of one year commencing from her date of appointment (i.e. 18 June 2018) and may be terminated pursuant to the terms of her service contract.

Each of the independent non-executive Directors apart from Mr. Ruan Weifeng had entered into an appointment letter with the Company to act as an independent non-executive Director for a term of three years commencing from the Listing Date. Each of the independent non-executive Directors apart from Mr. Ruan Weifeng has renewed their respective appointment letter with the Company, with a term of 3 years commencing from 1 April 2019, which may be terminated pursuant to the terms of the respective terms of the appointment letters.

Mr. Ruan Weifeng has entered into an appointment letter with the Company to act as an independent non-executive Director for a term of three years commencing from his date of appointment (i.e. 22 March 2019) and may be terminated pursuant to the terms of his appointment letter.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities issued by the Stock Exchange (the "**Listing Rules**"). The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements of the Group in this annual report.

None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ou Zonghong, the chairman and an executive Director of the Company, through his interests in a family trust, the Ou Family Trust, is interested in 64.83% shareholding of the Company as at 31 December 2018. Apart from holding interests in the Group as a result of the Ou Family Trust, Mr. Ou Zonghong also owns equity interest in certain other companies which are engaging in the businesses of hotel operation and property management, details of which are set out below.

(i) Hotel Operation

Hemei (Zhangzhou) Hotel Investment Company Limited is a member of the Fujian Dingcheng Investment Company Limited, which owns and operates Zhangzhou Rongxin Crowne Plaza Holiday Hotel ("**Zhangzhou Rongxin Hotel**"). Zhangzhou Rongxin Hotel is a high-end hotel in Zhangzhou, Fujian province and was opened in August 2014. For further details, please refer to the section headed "Relationship with Controlling Shareholders — No Competition and Delineation of Business" on pages 260 to 263 in the Prospectus.

(ii) Pre-delivery Property Management

Fujian Rongxin Shiou Property Management Company Limited ("**Fujian Rongxin Shiou Property Management**") is owned as to 54% by Mr. Ou Zonghong. Fujian Rongxin Shiou Property Management is engaging in the provision of pre-delivery property management services and it has been providing pre-delivery property management services to certain of the Group's property projects during the year ended 31 December 2018 and will continue to do so afterward. For further details, please refer to the announcement of the Company dated 8 November 2016 and the paragraph headed "Continuing Connected Transactions — 1. 2016 Master Pre-delivery Property Management Agreement" in this section.

(iii) Property Management

Rongxin (Fujian) Property Management Company Limited ("**Rongxin Fujian Property Management**") is owned as to 52% by Mr. Ou Zonghong. Rongxin Fujian Property Management is engaging in the provision of property management services and it has been providing property management services to certain of the Group's property projects during the year ended 31 December 2018 and will continue to do so afterward. For further details, please refer to the section headed "Relationship with Controlling Shareholders — No Competition and Clear Delineation of Business" on pages 260 to 263 in the Prospectus and the paragraph headed "Continuing Connected Transactions — 2. Management Services Agreement" in this section.

Save as disclosed above, as at 31 December 2018, none of the controlling shareholders of the Group or the Directors was engaged or had interest in any business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Deed of Non-Competition

The Company's controlling Shareholders, namely, Mr. Ou Zonghong, Mr. Ou Guofei, Honesty Global Holdings Limited and Dingxin Company Limited (together, the "**Covenantors**") entered into a deed of non-competition on 22 December 2015 (the "**Deed of Non-Competition**") in favour of the Company, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that, save for the businesses carried on by them as already disclosed in the Prospectus, the Covenantors shall not, and shall procure that their close associates (other than members of the Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time ("**Restricted Business**").

The Deed of Non-Competition shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling Shareholder) of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

For details of the Deed of Non-Completion, please refer to the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" in the Prospectus.

Annual Review

The Covenantors have confirmed that they did not refer, or to procure the referral of, any investment or commercial opportunities relating to the Restricted Business to the Group during the year ended 31 December 2018.

The Company has received a written confirmation from each of the Covenantors in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the Covenantors and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that each of the Covenantors has complied with his/its undertakings under the Deed of Non-Competition during the year ended 31 December 2018.

CONTINUING CONNECTED TRANSACTIONS

Set forth below are the details of the continuing connected transactions of the Group during the year ended 31 December 2018, which were exempted from the requirements of independent Shareholders' approval, but subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Landscape Engineering Services Framework Agreement

The Company, as service recipient, entered into a landscape engineering services framework agreement (the "**Landscape Engineering Services Framework Agreement**") with Xiujing (Fujian) Landscape Engineering Company Limited* (秀景(福建)園林工程有限公司) ("**Xiujing Landscape**"), as service provider, on 15 September 2017, pursuant to which Xiujing Landscape has agreed to provide, among others services, (i) landscape engineering design services; (ii) landscape construction; and (iii) sale and nursery of horticultural plants (collectively, the "**Landscape Engineering Services**") to the property projects of the Group in the PRC, including but not limited to those in Fuzhou, Xiamen, Zhangzhou, Shanghai and Hangzhou, for a term commencing from the date of the Landscape Engineering Services Framework Agreement and ending on 31 December 2019 (both days inclusive).

As Xiujing Landscape is owned as to 99% by Mr. Ou Zonghong, one of the controlling Shareholders and an executive Director, and 1% by Mr. Ou Guopeng, the son of Mr. Ou Zonghong, Xiujing Landscape is an associate of Mr. Ou Zonghong and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The service fees payable by the Company for the Landscape Engineering Services shall be determined with reference to (i) the total area of the property projects of the Group in the PRC for which the Landscape Engineering Services is required; (ii) the costs to be incurred by Xiujing Landscape for the provision of the Landscape Engineering Services (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties); and (iii) comparable market price for the provision of the Landscape Engineering Services by other similar providers. The amount of management fees paid by the Group to Xiujing Landscape for the Landscape Engineering Services under the Landscape Engineering Services Framework Agreement during the year ended 31 December 2018 amounted to RMB119 million.

The annual cap amounts of management fees payable by the Group to Xiujing Landscape for the period between 15 September 2017 to 31 December 2017 and the years ending 31 December 2018 and 2019 were RMB150 million, RMB400 million and RMB490 million, respectively, which were determined with reference to, among others, (i) the estimated operating income of Xiujing Landscape for each of the years ending 31 December 2017, 2018 and 2019 by providing the Landscape Engineering Services to the existing property projects requiring the Landscape Engineering Services and the future property projects expected to be undertaken by the Group which require the Landscape Engineering Service; (ii) the historical costs incurred by the Group on landscape engineering in respect of the Group's previous property projects; and (iii) the general market prices in respect of the Landscape Engineering Services.

As one or more of the applicable percentage ratios (other than the profits ratio) of the highest annual caps for the provision of the Landscape Engineering Services are more than 0.1% but less than 5%, the transactions contemplated under the Landscape Engineering Services Framework Agreement are only subject to the announcement, reporting and annual review requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 15 September 2017 and 29 September 2017.

2. 2016 Master Pre-delivery Property Management Agreement

The Company as service recipient entered into a master pre-delivery property management agreement (the "**2016 Master Pre-delivery Property Management Agreement**") with Rongxin Shiou Property Management Group Limited ("**Rongxin Shiou Property**") (formerly known as Fujian Shiou Property Management Company Limited) as service provider on 8 November 2016, pursuant to which Rongxin Shiou Property agreed to provide pre-delivery property management services to the Group at the pre-sale and pre-delivery stages including but not limited to security, cleaning, maintenance service and other related pre-delivery property management and maintenance services as well as car park management services (collectively, the "**Pre-delivery Property Management Services**") for a term commencing from the date of the 2016 Master Pre-delivery Property Management Agreement and ending on 31 December 2018 (both days inclusive).

As Rongxin Shiou Property is indirectly owned as to 54% by Mr. Ou Zonghong, one of the controlling Shareholders and executive Directors, Rongxin Shiou Property is an associate of Mr. Ou Zonghong and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The management fees payable by the Group to Rongxin Shiou Property shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable than those provided by independent third parties to the Group, with reference to (i) the total area of the property projects of the Group in the PRC for which Pre-delivery Property Management Services is required; (ii) the costs to be incurred by Rongxin Shiou Property for the provision of the Pre-delivery Property Management Services (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties etc.); and (iii) comparable market price where the normal costs of pre-delivery property management services concerned will be taken into account. The amounts of management fees paid by the Group to Rongxin Shiou Property under the 2016 Master Pre-delivery Property Management Agreement during the year ended 31 December 2018 amounted to RMB135 million.

The annual cap amounts of management fees payable by the Group to Rongxin Shiou Property for each of the years ended 31 December 2016, 2017 and 2018 are RMB40 million, RMB55 million and RMB65 million, respectively, which were determined with reference to (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the nine months ended 30 September 2016; and (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of Pre-delivery Property Management Services with reference to (a) the anticipated increases in demand of Pre-delivery Property Management Services required by the Group during the term of the Pre-delivery Property Management Service Agreement taking into account of the expected growth in the number of property development projects of the Group in the PRC and the expected area to be completed for each year during the term of the Pre-delivery Property Management Service Agreement; and (b) the unit price per sq.m. as agreed from time to time.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the provision of Pre-delivery Property Management Services by Rongxin Shiou Property under the 2016 Master Pre-delivery Property Management Agreement is over 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2016 Master Pre-delivery Property Management Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

On 23 November 2018, the Company as service recipient entered into a supplemental and renewal agreement ("**Supplemental and Renewal Agreement**") with Rongxin Shiou Property as service provider to renew the 2016 Master Pre-delivery Property Management Agreement and to revise the annual cap for the year ended 31 December 2018, due to the expected increases in the demand for the Pre-delivery Property Management Services.

Under the Supplemental and Renewal Agreement, the annual cap for the year ended 31 December 2018 was revised from RMB65 million to RMB140 million, due to the expected increases in the demand for the Pre-delivery Property Management Services. Save for the revised cap, all other material terms under the 2016 Master Pre-delivery Property Management Agreement remained unchanged. The revised cap was determined after arm's length negotiation between the Group and Rongxin Shiou Property with reference to (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the two years ended 31 December 2017 and the ten months ended 31 October 2018; (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of the Pre-delivery Property Management Services as a result of new services provided by the Shiou Group, including information consulting, project construction and agency sales etc.; (iii) fees incurred for certain one time services including construction maintenance and repair service and marketing promotion services; and (iv) the unit price per square meter as agreed from time to time.

Under the Supplemental and Renewal Agreement, the parties agreed to renew the transactions contemplated under the 2016 Master Pre-delivery Property Management Agreement for a further term of two years from 1 January 2019 to 31 December 2020. The annual caps for each of the three years ending 31 December 2020 are RMB140 million, RMB220 million and RMB250 million, respectively.

The annual caps for the Pre-delivery Property Management Services for each of the two financial years ending 31 December 2020 were determined by reference to: (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the two years ended 31 December 2017 and the ten months ended 31 October 2018; and (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of Property Management Services with reference to (a) the anticipated increases in demand Property Management Services required by the Group during the term of the Supplemental and Renewal Agreement taking into account of the expected growth in the number of property development projects of the Group in the PRC and the expected area to be completed for each year during the term of the Supplemental and Renewal Agreement; and (b) the unit price per square meter as agreed from time to time.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the provision of Pre-delivery Property Management Services by Rongxin Shiou Property under the Supplemental and Renewal Agreement is over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Supplemental and Renewal Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

3. Management Services Agreement

The Company as service recipient entered into a framework management services agreement (the "**Management Services Agreement**") with Rongxin Fujian Property Management as service provider on 22 December 2015, pursuant to which Rongxin Fujian Property Management agreed to provide the Group with management and related services to the display units, sales offices and community clubhouses of the Group's property projects, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

As Rongxin Fujian Property Management is owned as to 52% by Mr. Ou Zonghong, one of the controlling Shareholders and an executive Directors, Rongxin Fujian Property Management is an associate of Mr. Ou Zonghong and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The management fees payable by the Group to Rongxin Fujian Property Management shall be based on the fee quotes to be submitted by Rongxin Fujian Property Management under the relevant tender bids, taking into account a wide range of factors such as nature, age and infrastructure features of the relevant property projects, geographic location and neighborhood profile. The amounts of management fees paid by the Group to Rongxin Fujian Property Management under the Management Services Agreement during the year ended 31 December 2017 amounted to RMB54.17 million.

The annual cap amounts of management fees payable by the Group to Rongxin Fujian Property Management for each of the years ending 31 December 2016 and 2017 are RMB40 million and RMB55 million, respectively, which were determined with reference to the total gross floor area, geographical locations, facilities and human resources allocation of the relevant display units, sales offices and community clubhouses and on the assumption that the costs incurred by manpower will increase steadily.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the management and related services under the Management Services Agreement exceed 0.1% but are all less than 5% on an annual basis, the management and related services under the Management Services Agreement and the proposed annual caps for each of the years ending 31 December 2016 and 2017 are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

As at the date of this annual report, the Management Services Agreement has expired and the transactions contemplated under the Management Services Agreement had ceased since its expiry on 31 December 2017 and the Company has no intention to renew it.

Annual review

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

PricewaterhouseCoopers, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with "*Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with paragraph 14A.56 of the Listing Rules.

A copy of the independent auditor's letter has been provided by the auditor to the Company, and has been submitted to the Stock Exchange.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2018 is contained in note 34 to the consolidated financial statements of the Group in this annual report. The transactions summarised in note 34 to the consolidated financial statements of the Group fall under the definition of "connected transactions" under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than those transactions disclosed in note 34 to the consolidated financial statements of the Group in this annual report and in the paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or controlling Shareholder of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Principal risks and uncertainties facing the Group includes, among others, that:

(i) the Group is and will continue to be dependent on the performance of its PRC property sector;

(ii) the Group may not be able to identify suitable land or acquire land use rights for future development at commercially reasonable costs;

(iii) the Group has substantial indebtedness and may incur additional indebtedness in the future, and may not be able to generate sufficient cash to satisfy its outstanding and future debt obligations and to fund its capital expenditures;

(iv) the results of operations of the Group may fluctuate due to factors such as the schedule of the Group's property development and the timing of property sales;

(v) the Group may not be able to complete its projects according to schedule;

(vi) the Group has significant cash outflow from operations and may not be able to timely obtain sufficient financing to fund the Group's land acquisitions or property developments; and

(vii) the Group is subject to certain restrictive covenants in and risks associated with bank borrowings and trust and other borrowings which may limit or otherwise materially and adversely affect the Group's business, results of operations and financial condition.

For further details of the principal risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" on pages 35 to 70 in the Prospectus.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at 31 December 2018, except as disclosed in the Prospectus, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at 31 December 2018, the Company's joint ventures and associated company were not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "**Share Option Scheme**") on 28 December 2015. The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(1) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contributions to the Group. It is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(2) Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares (collectively the "**Eligible Participants**"):

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any members of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any members of the Group.

(3) The maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 135,000,000 Shares. 135,000,000 Shares represents approximately 8.43% of the total Shares in issue as at 31 December 2018.

(4) The maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

(5) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(6) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1 is payable upon acceptance of the grant of an option.

(7) The remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 28 December 2015.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — Other information — Share Option Scheme" in Appendix V to the Prospectus.

Details of the Share Option Granted

Details of the share options granted under the Share Option Scheme during the year ended 31 December 2018 were as follows:

					Changes during the year ended 31 December 2018				
Name of grantees	Date of grant	Exercise price per share (HK$)	Exercise periods (Note 1)	Balance as at 1 January 2018	Granted	Exercised	Cancelled	Lapsed	Balance as at 31 December 2018
Directors									
Mr. Wu Jian (resigned on 16 November 2018)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	204,000	–	1,872,482	2,604,723
Mr. Lin Junling (resigned on 16 November 2018)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	20,000	–	1,872,482	2,788,723
Ms. Zeng Feiyan	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	–	–	–	4,681,205
Mr. Ruan Youzhi (appointed on 16 November 2018)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	–	–	–	4,681,205
Mr. Zhang Lixin (Chief Financial Officer) (appointed on 16 November 2018)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	100,500	–	–	4,580,705
Other employees	5 January 2017	5.96	5 January 2018 to 4 January 2022	33,877,975	–	2,635,738	2,869,206	3,385,592	24,987,439
				57,284,000		2,960,238	2,869,206	7,130,556	44,324,000

Notes:

(1) In respect of each grantee, the share options granted shall be exercisable during the relevant periods in three tranches: (i) 30% of which shall be vested on the first anniversary of the date of grant, i.e. 5 January 2018; (ii) another 30% of which shall be vested on the second anniversary of the date of grant, i.e. 5 January 2019; and (iii) the remaining of which shall be vested on the third anniversary of the date of grant, i.e. 5 January 2020.

(2) The closing price of the securities immediately before the date on which the options were granted was HK$5.98.

Save as disclosed above, no option was granted or agreed to be granted under the Share Option Scheme during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2018.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year ended 31 December 2018 were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

Save as disclosed in this annual report, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listing securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), are set out below:

INTERESTS IN SHARES OF THE COMPANY

Name of Director	Nature of Interest/Capacity	Number of Shares or underlying Shares (Note 1)	Approximate percentage of shareholding (Note 1)
Mr. Ou Zonghong (Note 2)	Beneficiary of a trust	1,038,072,000 (L)	64.83%
Ms. Zeng Feiyan (Note 3)	Beneficial owner	4,681,205 (L)	0.29%
Mr. Ruan Youzhi (Note 3)	Beneficial owner	5,545,205 (L)	
	Interest of spouse	427,000 (L)	
		Total: 5,972,205 (L)	0.37%
Mr. Zhang Lixin (Note 3)	Beneficial owner	1,282,256 (L)	0.08%

Notes:

(1) As at 31 December 2018, the Company issued 1,601,260,738 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Mr. Ou is a beneficiary of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (the son of Mr. Ou) as the settlor with Mr. Ou being the protector. TMF (Cayman) Ltd., the trustee of Ou Family Trust, through a wholly owned BVI company, namely Honesty Global Holdings Limited, which in turn wholly-owned another BVI company, namely Dingxin Company Limited, held 1,038,072,000 Shares as at 31 December 2018.

(3) The Company adopted the Share Option Scheme on 28 December 2015. As at 31 December 2018, according to the Share Option Scheme, each of Ms. Zeng Feiyan and Mr. Ruan Youzhi had 4,681,205 outstanding share options and Mr. Zhang Lixin had 1,282,256 outstanding share options.

Save as disclosed above, 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 and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at 31 December 2018, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company:

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares (Note 1)	Approximate percentage of shareholding (Note 1)
Dingxin Company Limited (Note 2)	Beneficial owner	1,038,072,000 (L)	64.83%
Honesty Global Holdings Limited (Note 2)	Interest in controlled corporation	1,038,072,000 (L)	64.83%
TMF (Cayman) Ltd. (Note 2)	Trustee of a trust	1,038,072,000 (L)	64.83%
Mr. Ou Guofei (Notes 2, 3)	Settlor of a trust	1,038,072,000 (L)	64.83%
Ms. Xu Lixiang (Note 4)	Beneficiary of a trust/Interest of spouse	1,038,072,000 (L)	64.83%

Notes:

(1) As at 31 December 2018, the Company issued 1,601,260,738 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Dingxin Company Limited is a BVI company wholly owned by Honesty Global Holdings Limited, another BVI company, wholly owned by TMF (Cayman) Ltd., the trustee of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (as the settlor) with Mr. Ou Zonghong being the protector. Accordingly, each of Honesty Global Holdings Limited, TMF (Cayman) Ltd. and Mr. Ou Guofei is deemed to be interested in the Shares held by Dingxin Company Limited.

(3) Mr. Ou Guofei is the son of Mr. Ou Zonghong.

(4) Ms. Xu Lixiang is the spouse of Mr. Ou Zonghong and is therefore deemed under the SFO to be interested in the Shares held by Mr. Ou Zonghong.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 3,487 full-time employees (2017: 1,683 full-time employees). For the year ended 31 December 2018, the staff cost recognised of the Group amounted to RMB1,300.0 million (2017: RMB790.1 million).

The remuneration policy of the Group is to provide remuneration packages including salary, bonuses and various allowances, so as to attract and retain top quality staff. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed a periodical review system to assess the performance of its employees, which forms the basis of the determination on salary rises, bonuses and promotions. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Furthermore, the Group has implemented systematic, specialty-focused vocational training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiative and responsibility. The Group believes that these initiatives have contributed to increased employee productivity.

The Group's employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the year ended 31 December 2018, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

The Group is subject to a number of environmental-related laws and regulations in the PRC including the PRC Environmental Protection Law, the PRC Prevention and Control of Noise Pollution Law, the PRC Environmental Impact Assessment Law and the Administrative Regulations on Environmental Protection for Development Projects. Pursuant to these laws and regulations, the Group has engaged independent third – party environmental consultants to conduct environmental impact assessments at all of the construction projects of the Group, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, the Group is required to be examined by a third party designated by the relevant governmental authorities and are subject to governmental authorities' acceptance. Only property development projects which have passed such examination and acceptance can be delivered. Under the typical construction contracts of the Group, the Group requires its contractors to strictly comply with relevant environmental-related laws and regulations. The Group inspects the construction sites regularly and require its contractors to immediately rectify any default or non-compliance identified.

During the year ended 31 December 2018, the Group incurred RMB2.8 million as cost for compliance with applicable environmental rules and regulations (2017: RMB7.9 million). The Directors expect that the Group will continue to incur compliance costs with respect to applicable environmental rules and regulations at a similar level. As at 31 December 2018, the Group did not encounter any material issues in passing inspections conducted by the relevant environmental authorities upon completion of the property development projects of the Group. During the year ended 31 December 2018, no material fines or penalties were imposed on the Group for non-compliance of PRC environmental laws and regulations. As at 31 December 2018, the Group had obtained all required approvals in relation to the environmental impact reports, where applicable, for the projects of the Group under development.

Social Responsibility

The Group has entered into employment contracts with its employees in accordance with the applicable PRC laws and regulations.

The Group maintains social welfare insurance for its full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with the relevant PRC laws and regulations.

Health and Work Safety

The employee's administrative measures adopted by the Group contain policies and procedures regarding work safety and occupational health issues. The Group provides its employees with annual medical checks and safety training, and the construction sites of the Group are equipped with safety equipments including gloves, boots and hats.

The chairman's office of the Group is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

During the year ended 31 December 2018, the Group did not encounter any material safety accident, there were no material claims for personal or property damages and no material compensation was paid to employees in respect of claims for personal or property damages related to safety accident.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors during the year ended 31 December 2018.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or subsisted during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group made charitable and other donations in a total amount of RMB7.5 million (2017: RMB37.8 million).

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, the auditor of the Company, who shall retire at the AGM.

A resolution will be proposed at the AGM for the re-appointment of PricewaterhouseCoopers as the auditor of the Company. There is no change in the auditor of the Company in the preceding 3 financial years.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

For and on behalf of the Board
Ronshine China Holdings Limited
Ou Zonghong
Chairman

Hong Kong, 21 March 2019

Corporate Governance Report

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Board is pleased in presenting this Corporate Governance Report for the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 2018, save and except for the deviation from Code Provision A.2.1 of the Corporate Governance Code disclosed in the paragraph headed "The Board — 3. Chairman and Chief Executive Officer" in this section below.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries to each of the Directors, the Directors have confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2018.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, by-laws, laws, rules and regulations. The Company will continue to arrange regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his/her duty.

For the year ended 31 December 2018, each of the Directors has attended training in connection with their responsibilities as a director of the Company, and the attendance of each Director is set out in the table below:

Name of Director	Type of training (Note 1)	Subject of training (Note 2)
Executive Directors		
Mr. Ou Zonghong	1, 2	A, B
Ms. Zeng Feiyan	1, 2	A, B
Mr. Ruan Youzhi (appointed on 16 November 2018)	1, 2	A, B
Mr. Zhang Jixin (appointed on 16 November 2018)	1, 2	A, B
Non-Executive Director		
Ms. Chen Shucui (appointed on 18 June 2018)	1, 2	A, B
Independent Non-Executive Directors		
Dr. Lo Wing Yan William	1, 2	A, B
Mr. Ren Yunan	1, 2	A, B
Mr. Qu Wenzhou	1, 2	A, B

Note 1:

1. Attending in-house briefing/training, seminars, conferences or forums
2. Reading newspapers, journals and updates

Note 2:

A. Businesses related to the Company
B. Laws, rules and regulations, accounting standards

THE BOARD

1. Responsibilities

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The Board delegates to the management authority and responsibility for the Company's daily operations and businesses management according to the Board's instructions. The Board has established various committees and has delegated to the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), and the nomination committee (the "**Nomination Committee**") of the Board (collectively, the "**Board Committees**") various duties. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

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

2. Board Composition

The composition of the Board during the year ended 31 December 2018 and up to the date of this annual report are as follows:

Executive Directors	Mr. Ou Zonghong *(Chairman and Chief Executive Officer)* Mr. Wu Jian (resigned on 16 November 2018) Mr. Lin Junling (resigned on 16 November 2018) Mr. Ruan Youzhi (appointed on 16 November 2018) Mr. Zhang Lixin *(Chief Financial Officer)* (appointed on 16 November 2018) Ms. Zeng Feiyan Ms. Yu Lijuan (appointed on 22 March 2019)
Non-Executive Director	Ms. Chen Shucui
Independent Non-Executive Directors	Dr. Lo Wing Yan William Mr. Ren Yunan Mr. Qu Wenzhou Mr. Ruan Weifeng (appointed on 22 March 2019)

There is no material financial, business, family or other relationship between any members of the Board. The biographies of the Directors are set out under the section headed “Directors and Senior Management” in this annual report. All the Directors, including the independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

During the year ended 31 December 2018, the Board at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules by the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board. The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years.

3. Chairman and Chief Executive Officer

The roles of the chairman and the chief executive officer of the Company have not been separated as required by Code Provision A.2.1 of the Corporate Governance Code. The roles of the chairman and chief executive officer of the Company are both performed by Mr. Ou Zonghong, an executive Director. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Ou Zonghong’s extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Ou Zonghong continues to act as the chairman and chief executive officer of the Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

4. Board Meetings

Code Provision A.1.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. For other committee meetings, 14 days notice is given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When Directors or committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and committee meetings are recorded in detail and include the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments. Apart from regular Board meetings, the chairman also held a meeting solely with the non-executive Directors (including independent non-executive Directors) during the year ended 31 December 2018.

The Board convened one annual general meeting and six board meetings during the year ended 31 December 2018. The table below sets forth the details of the attendance at these meetings:

	Attend/Number of meetings held	
Name of Director	**Board meetings**	**Annual general meeting**
Executive Directors		
Mr. Ou Zonghong	6/6	1/1
Mr. Ruan Youzhi (appointed on 16 November 2018)	1/6	0/0
Mr. Zhang Lixin (appointed on 16 November 2018)	1/6	0/0
Ms. Zeng Feiyan	6/6	1/1
Mr. Wu Jian (resigned on 16 November 2018)	5/6	1/1
Mr. Lin Jun Ling (resigned on 16 November 2018)	5/6	1/1
Non-Executive Director		
Ms. Chen Shucui (appointed on 18 June 2018)	6/6	0/0
Independent Non-Executive Directors		
Dr. Lo Wing Yan William	6/6	1/1
Mr. Ren Yunan	6/6	1/1
Mr. Qu Wenzhou	6/6	1/1

BOARD COMMITTEE

The Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has specific written terms of reference which deal clearly with their authority and duties. The chairmen of these committees will report their findings and recommendations to the Board after each meeting.

1. Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of three members, namely Mr. Qu Wenzhou, Dr. Lo Wing Yan William and Mr. Ren Yunan, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Qu Wenzhou who possesses appropriate professional qualifications.

The Audit Committee convened two meetings during the year ended 31 December 2018. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Attend/Number of meetings held
Mr. Qu Wenzhou *(Chairman)*	2/2
Dr. Lo Wing Yan William	2/2
Mr. Ren Yunan	2/2

At the above meetings, members of the Audit Committee have reviewed the audited annual results of the Group for the year ended 31 December 2017 and the unaudited interim results of the Group for the six months ended 30 June 2018. The Audit Committee have also reviewed the significant issues on the financial reporting and compliance procedures, internal control and risk management systems and connected transactions, and have discussed with the auditor of the Company about the tasks they performed.

The Audit Committee has reviewed, and has agreed with the auditor of the Company on, the annual results of the Group for the year ended 31 December 2018.

The Audit Committee has reviewed the remuneration of the auditor for the year ended 31 December 2018 and has recommended the Board to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2019, subject to approval by the Shareholders at the AGM.

The works performed by the Audit Committee during the year ended 31 December 2018 included, among others, the following:

- reviewed the interim and annual consolidated financial statements of the Group;
- reviewed the cash flow projections and monitored the Group's overall financial condition;
- reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Group and made recommendations to the Board on the improvement of the risk management and internal control systems of the Group;
- reviewed the appropriateness and effectiveness of the internal audit function of the Group and made recommendations to the Board on the improvement of the internal audit function of the Group;
- reviewed the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies; and
- met with external auditor in the absence of executive Directors and senior management to discuss matters in relation to the audit.

2. Remuneration Committee

The Board has established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Remuneration Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on the Group's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, to make recommendation to the Board on the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time. The Remuneration Committee consists of three members, namely Mr. Ou Zonghong, an executive Director, Mr. Ren Yunan and Mr. Qu Wenzhou, independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Ren Yunan.

The Remuneration Committee convened two meetings during the year ended 31 December 2018. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Attend/Number of meetings held
Mr. Ren Yunan *(Chairman)*	2/2
Mr. Ou Zonghong	2/2
Mr. Qu Wenzhou	2/2

The major work performed by the Remuneration Committee during the year ended 31 December 2018 included, among others, reviewing and making recommendation to the Board of the remuneration of the Directors and the senior management of the Group for the year ending 31 December 2019.

The senior management of the Group also act as executive Directors. Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements of the Group in this annual report.

3. Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Nomination Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors.

As set out in the nomination policy adopted by the Board pursuant to the Corporate Governance Code, in assessing the suitability of a proposed candidate, the following factors would be considered:

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

In assessing the Board composition, the Nomination Committee will take into account various aspects set out in the Board diversity policy, for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

As set out in the nomination policy, the nomination procedure is as follows:

(1) The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(2) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(3) Pursuant to the memorandum and articles of association of the Company, a member (duly qualified to attend and vote at the meeting) who wish to recommend a candidate for election to the office of director at any general meeting must submit a signed written notice, for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(4) A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

(5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee consists of three members, namely Mr. Ou Zonghong, an executive Director, Dr. Lo, Wing Yan William and Mr. Qu Wenzhou, independent non-executive Directors. The chairman of the Nomination Committee is Mr. Ou Zonghong.

The Nomination Committee convened two meetings during the year ended 31 December 2018. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Attend/Number of meetings held
Mr. Ou Zonghong *(Chairman)*	2/2
Dr. Lo Wing Yan William	2/2
Mr. Qu Wenzhou	2/2

The works performed by the Nomination Committee during the year ended 31 December 2018 included, among others, the following:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the independent non-executive Directors; and
- made recommendations to the Board on the appointment and re-appointment of Directors.

The Company has adopted the board diversity policy (the "**Board Diversity Policy**") to assess the composition of the Board. The Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity before making recommendation to the Board.

Pursuant to the new Rule 13.92 of the Listing Rules the Board amended the Board Diversity Policy at a board meeting held during the year. A summary of the amended Board Diversity Policy is set out below.

The Nomination Committee has primary responsibility for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships while taking into account diversity. The selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee will consider the diversity perspectives set out in the Board Diversity Policy to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

DIVIDEND POLICY

According to the dividend policy of the Company, the Company may, subject to the Cayman Companies Law, from time to time in general meetings declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

The Board has the discretion to declare dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and taking into consideration factors set out below:

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings;

(v) capital requirements and expenditure plans;

(vi) shareholders' interest;

(vii) any restrictions on payment of dividends; and

(viii) any other factors that the Board may deem relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Cayman Companies Laws, any applicable laws, rules and regulations and the Articles of Association.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the Corporate Governance Code.

During the year ended 31 December 2018, the Board met twice to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows:

	Year ended 31 December 2018 RMB million
Audit and related service:	6.2
Non-audit service:	2.8

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2018 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the relevant period. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Group and for reviewing their effectiveness.

The Company continues to adopt best practices and industry standards for risk management and internal control. The Group's risk management and internal control systems include a well-established organisational structure with clearly defined lines of responsibility and authority. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Day-to-day departmental operations are entrusted to individual departments, which are accountable for their own conduct and performance and are required to operate their own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments in the department's business and of the implementation of the policies and strategies set by the Board on a regular basis.

Systems and procedures are also in place in the Group to identify, control and report on the major types of risks the Group encounters. Each department is responsible for the assessment of individual types of risk arising under their areas of responsibility. Relevant risks identified are reported to the Board for oversight and monitoring. The Group's risk management systems are monitored and reviewed regularly by the Board.

The Audit Committee and the Board oversee the Group's risk management and internal control systems on an ongoing basis, and have reviewed the internal audit findings of the Group's from financial, operational, compliance and risk management controls perspectives for the year ended 31 December 2018. The Board is satisfied that the internal control and risk management systems are effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, the qualifications and experience of the staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget. The Board expects that a review of the internal control and risk management systems will be reviewed annually.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. In particular, the Group has put in place a robust framework for the disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. The framework and its effectiveness are subject to review by the Board on a regular basis.

INTERNAL AUDIT

The Group has an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of risk management, control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the risk management and internal control systems of the Group.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to pursue active dialogue with Shareholders as well as to provide timely disclosure of information concerning the Company's material developments to its Shareholders, investors and other stakeholders. Annual general meeting of the Company serves as an effective forum for communication between the Shareholders and the Board. Notice of annual general meeting together with the meeting materials will be despatched to all Shareholders not less than 21 clear days and not less than 20 clear business days before the annual general meeting. As one of the measures to safeguard the Shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. In addition, the Company regards annual general meeting as an important event, and all Directors, the chairmen of all Board Committees, senior management and external auditor will attend the annual general meeting of the Company to address Shareholders' inquiries. If the chairmen of the Board or each Board Committee fail to attend the meeting, then other members of each Board Committee will be invited to attend the annual general meeting and answer Shareholders' inquiries thereat. All resolutions proposed at general meetings will be voted by poll. The voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com) on the same day of the relevant general meetings.

To promote effective communication, the Company maintains a website (www.rongxingroup.com), where the latest information and updates on its business operation and development, corporate governance practice, contact information of investor relations and other information are published for the public's access.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at the general meetings of the Company shall at all times have the rights, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to process to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Articles of Association and the Cayman Islands Companies Law. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations which contact details are as follows:

Porda Havas International Finance Communications Group

Address:	Units 2009–2018, 20th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Tel:	(852) 3150-6788
Fax:	(852) 3150-6728
Email:	ronshine@pordahavas.com

JOINT COMPANY SECRETARIES

Ms. Zeng Feiyan and Ms. Ng Wing Shan were the joint company secretaries of the Company during the year ended 31 December 2018. Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and is not an employee of the Company.

In compliance with Rule 3.29 of the Listing Rules, each of them has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

Ms. Zeng Feiyan resigned as the joint company secretary of the Company with effect from 20 February 2019, in order to focus on her existing role as executive Director of the Company, and Mr. Yu Zuoyi has been appointed as the joint company secretary of the Company with effect from 20 February 2019.

The current primary contact person of the Company with Ms. Ng Wing Shan is Mr. Yu Zuoyi.

For further details of Mr. Yu Zuoyi and Ms. Ng Wing Shan, please refer to the biographical details disclosed in the section headed “Directors and Senior Management” in this annual report.

AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATIONS

During the year ended 31 December 2018, the Company has not made any other amendments to the memorandum and articles of associations of the Company.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Environmental, Social and Governance Report (the "**ESG Report**") summarizes the principles of performing corporate social responsibility of Ronshine China Holdings Limited ("**the Group**", "**we**" or "**Ronshine China**"), and promoting the sustainable development in operation under the four areas of "Environmental Protection", "People-oriented", "Building a Brand" and "Care for the Community".

Criteria of Reporting

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The reporting contents covered herein are in compliance with the "comply or explain" principle required in the Guide. You can refer to the last chapter of this report, the HKEX ESG Reporting Guide Index . In addition, this report should be read in conjunction the section headed "Corporate Governance Report" in this annual report to better understand the governance information.

Scope of the Report

This report describes the impacts of the Group's core business on environment and society from 1 January 2018 to 31 December 2018 (the "**Reporting Period**" or the "**Year**"), and includes the key performance indicators (KPIs) of the environmental subject area of the Group's headquarters in Shanghai, regional offices in Shanghai, Fuzhou and Hangzhou (for details, please refer to the Sustainability Data Summary).

Language of the Report

This Report is available in two languages, including Traditional Chinese and English versions. Should there be any inconsistency between them, the Traditional Chinese version shall prevail.

Feedback on the Report

The Group highly values your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us through the following email address (nixy@rxgcn.com).

ACHIEVING SUSTAINABLE DEVELOPMENT

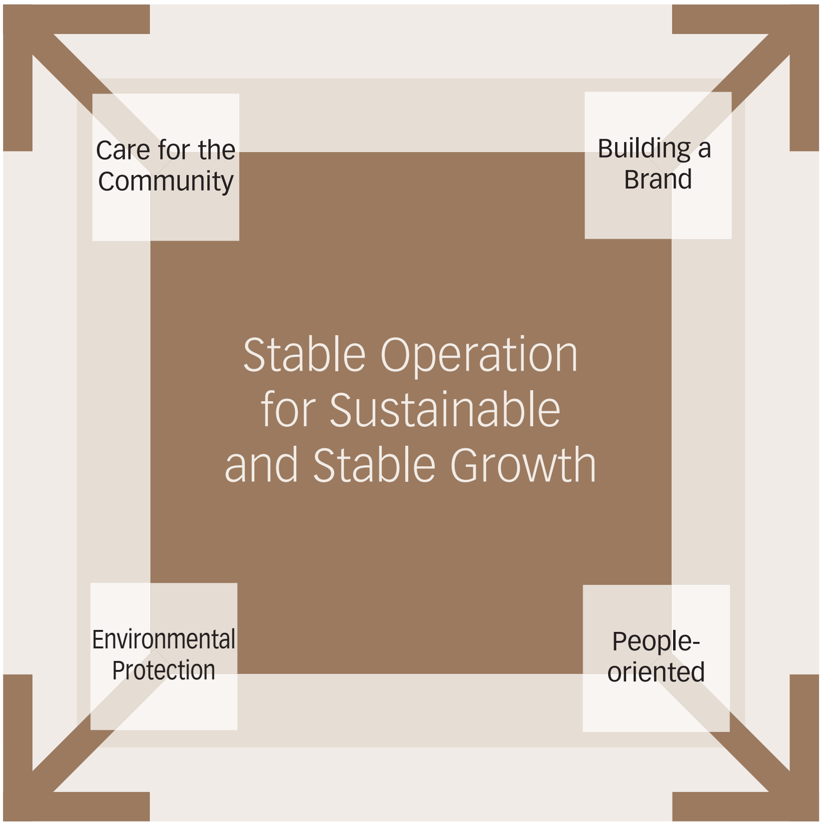
Ronshine China has positioned its 2018 development strategy as "Three Focuses, Two Balances, and Two Light Assets" to highlight the core strategic advantages and achieve sustained success. With rapid development, the Group has ranked second and top 22 in China's listed property enterprises and national property enterprises respectively, with the brand value ranking among the top ten national property enterprises. We will consistently inherit the philosophy of sustainable operation and march forward to becoming the most socially responsible corporate in the People's Republic of China (PRC).

Communication with Stakeholders

While promoting business growth, Ronshine China also regards corporate social responsibility as an important part of its operations and pushes forward the annual value of "Stable Operation for Sustainable and Stable Growth". We identify stakeholders in different sectors, including shareholders, investors, employees, customers, the media, the community/non-government organizations and suppliers, and take the initiative to listen to and understand their concerns with an open attitude to determine the scope of the Report. We continue to connect and communicate with internal and external stakeholders to understand their opinions and expectations to the Group and establish long-term relationships. The following are the main ways of communication between Ronshine China and stakeholders:

Major stakeholders	Communication method
Shareholders	Annual general meeting and other general meetings, interim reports and annual reports, corporate communications, such as letters/circulars and meeting notices to shareholders, results announcement and investor meetings
Investors	Results announcement, senior management meetings/interviews, visits and compliance report
Employees	Employee opinion surveys, performance appraisals and interviews, group discussions, meeting interviews, business briefings, volunteer activities and staff intranet
Customers	Customer satisfaction surveys and opinion form, customer service center, customer visits, daily communication with customers and telephone/mailbox
Media	Press release and press conferences, senior management visits, results announcement and media gathering
Community/Non-government organizations	Volunteer activities, donations, community investment plans and community activities
Suppliers	Supplier management procedure, conferences, supplier/contractor evaluation system and onsite inspections

Understanding of stakeholders' views and expectations to the Group, we have determined the scope covered by the Report and summarized into four areas: "Environmental Protection", "People-oriented", "Building a Brand" and "Care for the Community". The report describes the measures taken by the Group to reduce the impacts of its operations on environment in different aspects and initiatives to make contributions to society, so as to realize the operating philosophy of "Win-win benefits of the enterprise, employees and the society".



ENVIRONMENTAL PROTECTION

Low-carbon Operation

Climate change is one of the environmental issues gaining global concerns. By participating in international conferences and signing legally binding agreements, the relevant countries raise their awareness of environmental protection and work together to mitigate climate risks. For example, the Paris Agreement, which aims to control the increase in global average temperature within 2°C, was signed jointly by 195 countries. In addition, the United Nations Framework Convention on Climate Change advocates the concept of emissions trading system, setting emissions quota for enterprises and allowing enterprises who emit less than their quota or achieve GHG reduction to trade their carbon credits, reflecting the global emphasis on GHG emissions.

The Group principally operates business in the PRC and will continue to strictly complies with important policies such as the National Climate Change Plan (2014-2020) and the National Climate Change Adaptation Strategy. We make full use of the Report to enable the Group to review the GHG emissions generated during the operations, and advocate corporate social responsibility and green competitiveness. Based on the "Greenhouse Gas Protocol" developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Standards Organization, we conducted carbon audit for the Group's headquarters in Shanghai, regional offices in Shanghai, Hangzhou and Fuzhou. The emissions are summarized as follows:

GHG Emissions Performance	Unit	2018
GHG emissions		
Direct GHG emissions (Scope 1)	tonnes carbon dioxide equivalent (CO_2e)	85.96
Indirect GHG emissions (Scope 2)	tonnes CO_2e	176.61
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	142.37
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	404.94
GHG Emissions Intensity		
Total GHG emissions per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/square meter	0.05
Total GHG emissions per employee	tonnes CO_2e/employee	0.44

Scope 1: Direct GHG emissions generated from sources owned and controlled by the Company.

Scope 2: GHG emissions indirectly generated from electricity generation, heating and cooling or steam purchased by the Company.

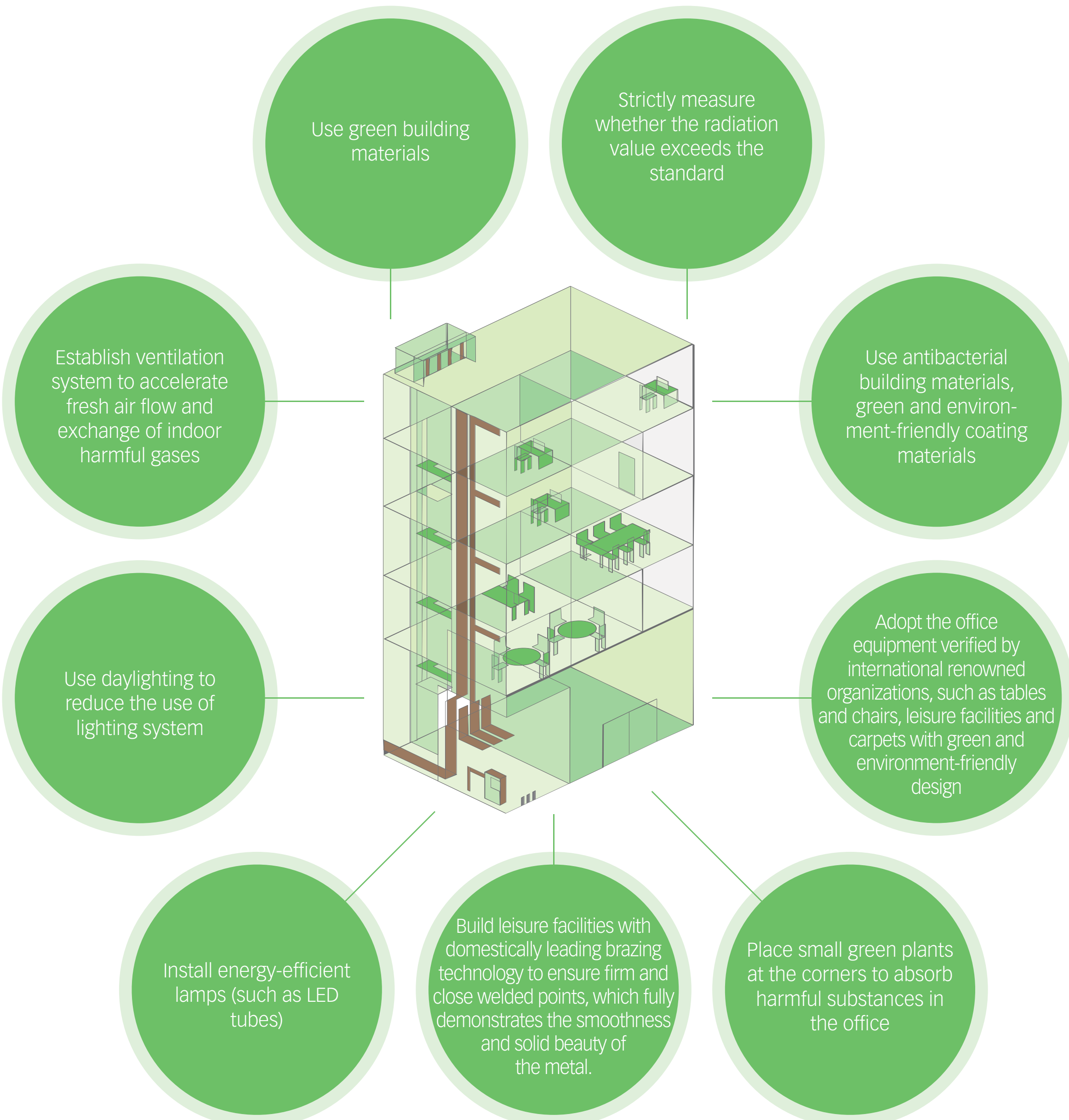
Scope 3: GHG emissions that are not owned or directly controlled by the Company but are indirectly generated from sources related to the Company's business activities.

According to the result of the carbon audit, the Group's GHG emissions include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs), and sulfur hexafluoride (SF_6). The GHG emissions can also be divided into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3). During the Year, the Group emitted 404.94 tonnes of CO_2e in total and 0.05 tonnes of CO_2e per square meter, which significantly decreases by 47.61% compared to the previous year. The GHG emissions are generated from fuel consumption of stationary combustion sources, fuel consumption of vehicles of the Group (Scope 1), electricity consumption during operations (Scope 2) and water use, business travel by employees, waste disposed at landfills and paper consumption (Scope 3). By calculating and analyzing the GHG emissions, we have obtained an in-depth understanding of various sources of emissions and have implemented targeted emissions reduction measures.

Green Building

The Group cherishes the emotional connection between people and the land, and strives to build a more beautiful environment. We undertake projects with the principle of "Green and Sustainable Development". For instance, the First City Ronshine Super Star City project retains more than 300 native trees, forming an ecological garden with 100,000 square meters. For the Lan County project, we abandoned the opportunity to build more buildings in order to create a green community with low plot ratio and high greening ratio, reflecting the Group's persistence and emphasis on environmental protection.

Case: New Green Office in Shanghai Headquarters



Case: Ronshine Yangzhongcheng Plot Fifteen (融信洋中城地塊十五) Project (Phase II)

The Group has employed a third-party environmental engineering company to prepare the "Report on the Environmental Protection Acceptance and Monitoring after the Completion of the Project" (《項目竣工環保驗收監測報告》) for the abovementioned project in accordance with the Environmental Impact Assessment Law of the People's Republic of China and the laws and regulations related to national environmental protection, and to proceed the environmental protection acceptance procedures after completion. The project has been completed at a low building density of 26.1%, with 30% of the area designated as green belt. The investment on environmental protection accounted for up to 2.3% of the total investment. The Group does not only ensure that the wastewater treatment, emissions control and noise management meet the national standards during the construction or operation of the project, but also consider the use of facilities after delivery to customers. By announcing project environmental information during the pre-sale, introducing solid waste treatment, soil erosion prevention and greening, the Group gets the customers more familiar with the proper use of the facilities.

Green Operation

Air Pollution Management

The Group ensures that the air emissions meet the regulations of the Technical Code on Urban Dust Pollution Prevention and Treatment (HJ/T393-2007) during the construction through the implementation of the following measures to control fugitive dust:

- Build walls along the construction border;
- Use commercial concrete;
- Strictly prohibit exposed work;
- Increase the frequency of watering on the site for dust control;
- Cover the building materials with dust-proof net to prevent leakage during transportation;
- Set up fences, windbreak and wind screens that are higher than the waste heap;
- Set up a car wash platform on the site;

- Increase the watering density in the vicinity of the project transportation entrance and exit to maintain the humidity on the road surface;

- Entrust a qualified transportation company to transport the dregs to the discharge station designated by the municipal administration and clean the waste soil

In addition to the dust at the construction site, the Group also focuses on the emissions of its vehicles. To reduce the negative impact on the environment, the Group regularly arranges maintenance for the vehicles, checks the fuel consumption and the discharge of pollutants, and checks the tires for proper inflation to ensure smooth operation of vehicles.

Energy Management

During the Year, the total energy consumption of the Group is 251,041.60 kilowatt-hours (kWh), and the total energy consumption intensity is 29.23 kWh per square meter, which decrease by 18.03% compared to that of the previous year. We identify that the air-conditioning system is one of the equipment with the highest energy consumption, and conducting effective management measures may reduce energy consumption. We clean the filters regularly to increase the energy efficiency of the system. Meanwhile, we apply anti-ultraviolet heat-insulating film on windows to reduce heat absorption; seal the doors and windows to prevent the leakage of tempered air. In addition, we set the air-conditioning system to a minimum of 25.5°C, allow employees not to dress up in full suit under hot weather and wear casual dress every Friday to reduce the energy consumption generated from air-conditioning.

In terms of the energy-saving measures for electronic equipment and electric appliances, the Group prefers electronic equipment with energy-efficient labels, sets the computers to standby and sleep modes automatically, and turns off all the electronic equipment in the office during non-working hours, rest days and holidays to avoid energy waste. Besides, the Group uses virtualized computer equipment such as a set of Infrastructure-as-a-service (IaaS) or Platform-as-a-service (PaaS) with cloud computing, computing infrastructure or computing solution platforms to reduce energy consumption, hardware installation, and the resources used in purchase of the hardware and software.

Water Management

During the Year, the total water consumption of the Group is 1,668 cubic meters, and the total water consumption intensity is 0.19 cubic meters per square meter, which decreases by 44.10% compared to that of the previous year, reflecting the achievement on water saving by the Group. As we recognize the significant impacts of sewage discharged during construction on the environment, the project strictly abides by the Integrated Wastewater Discharge Standard (GB8978-1996) during construction or after completion, including:

- Set up pipelines to separate the rainwater and wastewater and maintain the required distance between the septic tank and the drinking pool;

- Treat the sewage with the septic tank before connecting to municipal pipelines;

- Equip the construction site with environmental protection facilities such as grease traps, sedimentation tanks and septic tanks;
- Reuse instead of discharging the construction wastewater after;
- Reuse the domestic sewage after treating in a sewage treatment plant;
- Ensure that the total annual discharge does not exceed the total annual permitted sewage discharge determined by the Environmental Protection Agency;
- Use rainwater to irrigate the green areas of the projects.

In addition, in order to envisage the crisis of water scarcity, we have adopted various measures to save water in the office. We use sanitary wares with water-saving labels; post water-saving reminders in each bathroom to raise awareness of proper water use; and regularly check faucets to avoid wastage due to lack of proper maintenance.

Noise Management
The Group is committed to reducing the noise generated during construction to ensure that it meets the Emission Standard of Environmental Noise for Boundary of Construction Site (GB12523-2011). We regularly measure noise according to the Emission Standard for Community Noise. We focus on noise reduction measures including rational allocation of noisy equipment, such as generators, pumps, air conditioners, power distribution and basement vents, installation of sound insulation windows and building of green belts to reduce the negative impact of noise pollution on environment.

Waste Management
Construction waste and office waste are generated during the Group's operation and we would handle them with proper waste disposal methods. Meanwhile, we help the employees to develop the habit of recycling and reuse, hence reducing waste.

The Group ensures that construction waste at the site is handled pursuant to the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, which stipulates that it is necessary to prepare supporting facilities for the prevention and control of environmental pollution by solid waste during construction; the construction units are required to clear and transport, use or dispose of the waste materials generated during the construction process in a timely manner according to the regulations of the sanitation department.

Non-hazardous waste generated by the Group includes waste paper or solid office waste in the office. Hazardous waste includes electronic products, batteries, ink cartridges and toner cartridges. We focus on reducing the waste generated. During the Year, the Group monitored the quantities of waste for the first time in line with the reporting scope of environmental KPIs. We planned to continuously monitor and manage waste generation by the following measures:

Reducing paper consumption	• Setting print quotas for employees if practicable • Posting a notice at the prominent places of the photocopier/printer to remind employees to use two-sided photocopying or print internal documents with recycled paper
Reducing the use of disposable and non-recyclable products	• Reusing envelopes, folders, and other stationeries
Reducing the hazardous waste generated	• Purchasing recyclable toner cartridges and rechargeable batteries • Sending old electronic waste to recyclers for recycling
Handling waste paper	• Except for paper with confidential information, delivering all discarded paper to the waste paper recyclers for recycling
Handling hazardous waste	• Transferring hazardous waste to a qualified processing company for collective collection and processing • Avoiding negative impact on the environment due to improper handling of hazardous waste
Acquiring good recycling habits	• Achieving recovery rate of 27.89% for non-hazardous waste

PEOPLE-ORIENTED

Equal Employment Practices

Ronshine China won the "2018 Best Employer in Real Estate Enterprises of the PRC (2018 中國房地產最佳僱主企業)" with its sound training, promotion mechanism and good corporate culture, indicating that the Group regards employees as valuable assets. We hire new employees and treat the existing employees in compliance with the Labor Law of the People's Republic of China. The Group recruits people through public channels such as official website, campus recruitment and community recruitment. We review qualifications, work experience, skills and other requirements submitted by the candidates. If the applicants meet our requirements, the human resources department will issue interview invitations within the determined feedback period to shortlist suitable candidates, ensuring the background and qualifications of the identified candidates match the positions. Besides, in terms of promotion, the Group organizes two internal recruitment events every year to give priority to assess the promotion opportunities of the existing employees based on performance evaluation, encouraging and motivating the employees effectively.

We advocate a fair and equal working environment that provides employees with equal opportunities, and we demonstrate a zero-tolerance attitude to discrimination based on ethnicity, race, gender and religions. The Group recruits talents of different cultures and backgrounds to build a diverse workforce. In addition, we carefully handle the promotion and demotion, and retention and resign of each employee. When employees resign, the representatives of the human resources department will conduct an interview to understand the reasons for the resignation, identify the measures for the Group to make improvement, increase the sense of belonging, strengthen communication with existing employees, and maintain a good employment relationship.

The Group strictly prohibits unethical employment practices, including employment of child labor and forced labor. During the process of recruitment, we would verify the identity documents of the candidates and never hire those below the legal working age. In addition, the Group values work-life balance of its employees. We implement a five-day working mode in the office and maintain eight hours of work per day. Employee consent would be obtained in advance for necessary overtime arrangements. Employees also have the right to refuse to work on rest days. If they agree to work on rest days, they will be compensated for holidays according to the requirements of regulations and contracts as well. During the Reporting Period, the Group experienced no violation cases in relation to child labor or forced labor.

Benefit and Welfare

In strict compliance with the Labor Contract Law of the People's Republic of China, the Group signs employment agreements and recruitment contracts with the identified candidates to protect their due rights. In addition, we implement a competitive compensation packages to retain talents, and we adjust the salary according to the assessment results, experience, skills and job qualifications of employees, providing rewards for their contributions to the Group. In terms of welfare, the Group purchases "Five Insurances and One Fund" for employees (including basic pension insurance, basic medical insurance, work injury insurance, maternity insurance and unemployment insurance and contributions to housing provident fund), and provide other benefits such as stock options, share award plans and long-term incentive awards according to the performance of employees. Moreover, the Group also ensures that all employees have the right to take leave, such as compassionate leave, sick leave, annual leave, marriage leave, maternity leave, work injury leave and bereavement leave.

Health and Safety

Construction sites

Safeguarding the safety of construction workers and in construction sites is the key to the property development industry. We comply with the laws and regulations under the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》), and include policies and procedures for work safety and occupational health in the Human Resources Management Measures (《員工管理辦法》) with full responsibility for safe production. During the Reporting Period, the Group experienced no accidents due to work-related deceases and work-related injuries.

Concerning the large number of machinery operating at construction sites, the Group is exposed to high safety risk. The construction units implement the following measures:

- Offer specific safety trainings for construction personnel;
- Ensure that the construction personnel engaged in special operations receive specific trainings and obtain operation qualifications before their engagement;
- Purchase accident insurance for employees at the construction sites;
- Provide safe and hygienic conditions and necessary labor protection products that meet the standards prescribed by the state;
- Conduct compliance records and handling engineering accidents in a timely manner.

For preventive measures, the Group would identify and correct problems through regular or random safety inspections. Major hazardous source notification signs, different warning signs and instruction signs are placed at the construction entrances and in the construction sites. The information is updated based on the construction phase and daily work situation to remind employees to pay attention to their own safety. We are equipped with a sufficient number of fire equipment, including fire yellow ground, fire extinguishers, fire hoses, fire shovel and fire buckets to protect life and property safety.

Offices

With a focus on the health of its employees, the Group is committed to creating a healthy working environment. We adopt measures including regularly cleaning of filters of the air-conditioning system and strictly prohibiting employees from smoking in the office, improving the ventilation system and the indoor air quality. There is a gym room in the office, assisting the employees in establishing a good habit of exercising. We also organize staff interest groups, and regularly provide venues for sports and leisure activities so as to improve employees' work efficiency.

Training and Development

In order to cultivate the high-efficiency characteristics of Ronshine's employees, we encourage them to improve the overall quality and professional skills by continuous education and attending internal training. We have established a Ronshine Institute that provides specific on-the-job training. Besides, the Group invites top talents in the industry to conduct training courses and exchanges with employees, delivering knowledge and theories that could be applied in work. We also carry out collective development activities to increase cohesiveness among employees, and organize new employee training to accelerate their adaptation to the working environment. In addition, in terms of external training, we apply for learning cards for employees to encourage employees at all levels to select training courses independently; implement compensation mechanism for external training to subsidize employees receiving external training; encourage full-time permanent employees to participate in vocational/practicing qualifications training; encourage employees to participate in external inspections, exchange meetings, and submit inspections, exchange reports and materials to the human resources department after such events for sharing with other employees, maintaining the professional image of and enhancing their competitiveness in the industry.

BUILDING A BRAND

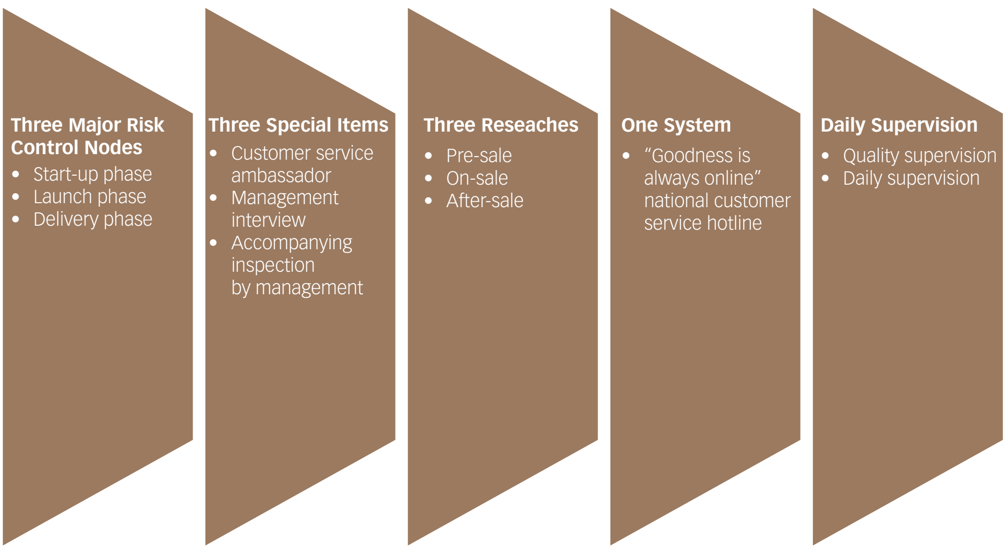
Honest Enterprise

Honesty is an indispensable part of the Group's culture. We help our employees to advocate personal and professional integrity at workplace. The Group strictly abides by the laws and regulations of the Anti-Corruption and Bribery Law of the People's Republic of China and the Criminal Law of the People's Republic of China, strengthening the building of a clean government in the engineering industry. We strictly prohibit employees from using their positions or improper means to encroach, steal, defraud and occupy properties, including wages, subsidies, shopping vouchers, bonuses, various benefits and benefits in kind. At the same time, we prevent illegal activities such as bribery, extortion, fraud and money laundering through daily supervision to protect corporate image. During the Reporting Period, the Group experienced no cases involving corruption litigation.

In addition, the Group posted a clean government billboard on the obvious place in the office, stating the cases that employees could report in relation to violation of professional ethics or codes of conduct by email, phone, letter and online channels. The Group ensures that the whistleblower's personal information and report content are kept confidential, but employees should adopt a zero-tolerance attitude towards the situation where the information is withheld. The audit department will actively work with the relevant departments to follow up in a fair and equal manner and give feedback on and handle cases reasonably.

Advanced Customer Service Platform

Achieving the customer satisfaction rate of 84%, Ronshine China is committed to incorporating ingenuity philosophy into products and services, to provide customers with high-quality products and services, and further understand the customers' attributes and needs. Through the visits of "Mystery Customer", we understand the service quality of the property and marketing team, and improve the operation of the project. In addition, for the purpose of enabling our customers to understand the progress of the project and their future home, we arrange site visits in the sales and delivery process, and actively collect customer questions and opinions on such visits. By summarizing the results of quarterly researches, the Group improves the quality of future projects. The management system established by Ronshine Customer Relationship Center includes:



In addition, Ronshine China makes full use of the online platform for advertising. The Group pays close attention on whether the media reports comply with the relevant laws and regulations such as the Advertising Law of the People's Republic of China and the Law on Protection of the Rights and Interests of Consumer to ensure that the publicity materials are presented as realities, and to strictly prohibit the use of false and misleading information to deceive customers.

Safeguarding Information Privacy

To safeguard information privacy, the Group has formulated the "Office Computer Agreement (辦公電腦協議書)" requiring employees to read the terms carefully and sign the agreement when they join the Company, hence ensuring the proper use of the office computer for information processing. In terms of preventive measures, the Group makes full use of the office automation system (OA system) to publish information such as the Company systems, news, notices and announcements, and to restrict users from downloading or printing of some online confidential documents, so as to avoid the leakage of information; adopts print tracking to check the records of documents printed by employees; requires employees to use the SMS platform as the communication tool for work, and strengthens the information security and confidentiality of the SMS platform.

Supply Chain Management

The Group has strict requirements for suppliers with fair and equal selection. The Group would publish tender notice information on the Company's website or social media with high level of transparency. Suppliers are required to submit tender applications according to the project bidding qualification requirements. We evaluate suppliers based on their qualifications, business reputation, cooperation experience and good service awareness. If the supplier meets the respective indicators, we would consider the additional evaluation criteria, including environmental and social factors during the operation and establishment of comprehensive risk policies, in order to maintain a sustainable supplier management.

The selected suppliers are required to upload the relevant information and materials to the Group's procurement system platform. The procurement department would review the bidding documents and other supporting documents. In addition, the suppliers are required to sign the "Integrity Cooperation Agreement (廉潔合作協議)" and the project-related contracts to ensure fulfillment of the contracts.

CARE FOR THE COMMUNITY

Ronshine China actively fulfills its corporate social responsibility and participates in public welfare. It has won the "2018 Corporate Social Responsibility Targeted Poverty Alleviation Award". The Group will continue to utilize the resources and advantages of the Company to build an effective social welfare platform and promote the sustainable development of the overall public welfare cause, so as to promote life value realization with love.

Building "Ronshine Hope Reading Room"

In September 2018, Ronshine Public Welfare Foundation donated RMB1 million to Xinjiang Youth Development Foundation through China Youth Development Foundation to support the construction of "Ronshine Hope Reading Room (融信希望閱覽室)" for 25 rural primary and secondary schools in Urumqi and Kashgar. In the donation ceremony, the Ronshine Public Welfare Foundation presented a set of learning kits as a gift for the new semester to each of the 250 students in the Urumqi County Wulabo Zhengda Hope Middle School, sending sunshine and warmth to children in the poverty-stricken areas.

Hometown Fellowship from Ronshine Public Welfare Foundation

The Ronshine Public Welfare Foundation donated multimedia equipment, school iron gates, and over 2,000 books with an total amount of approximately RMB270,000 to Tingtang Primary School to improve its teaching conditions and the campus security, promoting the traditional culture. The principal of Tingtang Primary School expressed his gratitude and gave a plaque of "Promoting Education and Aiding Students, Benefiting the Hometown" to the Foundation for the concerns and commitment on education in their hometown. This community investment project has assisted a total of 400 teachers and students, and received recognition, effectively stimulating the enthusiasm and initiative of rural teachers, and motivating students.

Ronshine "New Liver for Children" Contribution Program

Ronshine China participated in China's first Internet Public Welfare Day "99 Public Welfare Day (99公益日)". Together with the Beijing AngelMom Charity Foundation, we raised approximately RMB2 million, making a new record. The donations were used to help children with biliary atresia, popularize disease-related knowledge, and hold trainings such as "Biliary Atresia and Pediatric Liver Transplantation Relief Seminar (膽道閉鎖與小兒肝移植救治研討會)", contributing to children's health with the warmest love and giving new life to babies with transplanted livers.

In December, we and AngelMom held the first academic conference on biliary atresia and liver transplantation in Shanxi Province. Medical experts were invited to the conference to carry out in-depth training on biliary atresia knowledge. Patients' families could gain deeper understanding of the disease through the profound instruction in simple terms. In addition, physical examination and free medical consultation services were provided to children with biliary atresia who had accepted or would accept liver transplantation. Experts gave targeted consultation and explanation on the examination results of children with the disease, and offered assessment on the preoperative indications for liver transplantation and the postoperative effect of liver transplantation.

Appendix I: SUSTAINABILITY DATA STATEMENTS

Environmental KPIs	Unit	2018
GHG Emissions		
Direct emissions (Scope 1)	tonnes CO_2e	**85.96**
Indirect emissions (Scope 2)	tonnes CO_2e	**176.61**
Other indirect emissions (Scope 3)	tonnes CO_2e	**142.37**
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	**404.94**
GHG Emissions Intensity		
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/square meter	**0.05**
Each employee (Scope 1, 2 & 3)	tonnes CO_2e/employee	**0.44**
Fuel consumption		
Fuel consumption by fleets of vehicles	tonnes	**26.97**
Natural gas consumption	cubic meter	**2,500.00**
Energy consumption		
Total energy consumption	kWh	**251,041.60**
Total energy consumption intensity (per square meter of floor area)	kWh/square meter	**29.23**
Total energy consumption intensity (each employee)	kWh/employee	**271.10**
Water consumption		
Total water consumption	cubic meter	**1,668.00**
Total water consumption intensity (per square meter of floor area)	cubic meter/square meter	**0.19**
Total water consumption intensity (each employee)	cubic meter/employee	**1.80**

Environmental KPIs	Unit	2018
Hazardous Waste		
Total amount of hazardous waste	kilogram	219.50
Hazardous waste intensity (each employee)	kilogram/employee	0.24
Non-hazardous Waste		
Total amount of non-hazardous waste	tonnes	18,907.00
Total non-hazardous waste intensity (each employee)	tonnes/employee	20.42

Social KPIs	Unit	2018
Total number of employees (by gender)		
Total number of employees	no. of people	2,390
Total number of female employees	no. of people	919
Total number of male employees	no. of people	1,471
Total number of employees (by region)		
Total number of employees in North China	no. of people	375
Total number of employees in East China	no. of people	579
Total number of employees in the Northwest region	no. of people	122
Total number of employees in other places (including Hong Kong, Macao and Taiwan)	no. of people	1,314

Appendix II: HKEX ESG Reporting Guide Index

Content of Indicators			Related Section(s)
A. Environmental			
Aspect A1: Emissions	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection
	KPI A1.1	The types of emissions and respective emissions data.	Low-carbon Operation
	KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Low-carbon Operation
	KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Sustainability Data Statements
	KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Sustainability Data Statements
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Low-carbon Operation
	KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved.	Green Operation
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Sustainability Data Statements
	KPI A2.2	Water consumption in total and intensity.	Sustainability Data Statements
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Operation
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Operation
	KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable; the Company's business does not involve packaging materials

Content of Indicators			Related Section(s)
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection
B. Social			
Employment and Labour Practices			
Aspect B1:	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Equal employment practices
Employment	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Equal Employment Practices
Aspect B2: Health and Safety	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
Aspect B4: Labour Standards	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Equal Employment Practice

Content of Indicators			Related Section(s)
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Safeguarding Information Privacy
Aspect B7: Anticorruption	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Honest Enterprise
Community			
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for the Community

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Ronshine China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ronshine China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 205, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")

- Classification of investment in subsidiaries, joint ventures and associates

Key Audit Matters (continued)

Key Audit Matter 1: Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")	How our audit addressed the Key Audit Matter
Refer to Note 4 (a) and Note 19 to the consolidated financial statements. The total of PUD and PHS amounted to approximately RMB125,498 million as at 31 December 2018, accounting for approximately 62% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost or net realisable value ("NRV"). The Group assesses the NRV of PUD and PHS based on the realisability of these properties. As a result, provisions for PUD and PHS involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for PUD.	Our procedures in relation to management's provision assessment for PUD and PHS included: 1. We understood, evaluated and validated management's key internal controls over the Group's process in determining the costs to completion of PUD and the net realisable values of PUD and PHS based on prevailing market conditions. 2. We challenged management's key estimates for: • Selling prices which were estimated based on the prevailing market conditions. We selected PUD and PHS on a sample basis to compare their estimated selling prices to the recent market transactions, making reference to the Group's selling prices of the same project's pre-sale units or the prevailing market prices of comparable properties with similar sizes, usages and locations, after considering future market development; • Variable selling expenses were estimated based on certain percentages of selling prices. We compared the above estimated percentages with the actual average selling expenses to revenue ratio of the Group in recent years; and • For the estimated costs to completion for PUD, we reconciled them to the budgets approved by management, examined the signed construction contacts on a sample basis, or compared the anticipated completion costs to the actual costs of comparable properties with similar sizes, usages and locations of the Group in recent years. We found that the key estimates used in management's assessment of the provision for PUD and PHS were properly supported by the available evidence.

Key Audit Matters (continued)

Key Audit Matter 2: Classification of investments in subsidiaries, joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 4 (b), Note 10 and Note 11 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focus on the classification of an investment as a subsidiary, a joint venture or an associate as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements with other co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, coorperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association, and management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**34,366,500**	30,341,404
Cost of sales	7	**(26,301,557)**	(25,316,550)
Gross profit		**8,064,943**	5,024,854
Selling and marketing costs	7	**(1,137,009)**	(818,513)
Administrative expenses	7	**(1,341,193)**	(876,349)
Fair value gains on investment properties	16	**336,643**	1,108,095
Other income and other gains — net		**123,463**	45,521
Operating profit		**6,046,847**	4,483,608
Finance income	9	**243,063**	247,660
Finance cost	9	**(534,943)**	(24,629)
Finance (cost)/income — net	9	**(291,880)**	223,031
Share of net profit of associates and joint ventures accounted for using the equity method	11	**902,681**	283,100
Profit before income tax		**6,657,648**	4,989,739
Income tax expense	12	**(3,186,122)**	(2,343,491)
Profit for the year		**3,471,526**	2,646,248
Profit for the year is attributable to:			
— Owners of the Company		**2,149,660**	1,679,521
— Non-controlling interests		**1,157,671**	734,442
— Holders of Perpetual Capital Instruments	25	**164,195**	232,285
		3,471,526	2,646,248
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic earnings per share	13	**1.38**	1.22
— Diluted earnings per share	13	**1.37**	1.22

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**3,471,526**	2,646,248
Other comprehensive income	**—**	—
Total comprehensive income for the year	**3,471,526**	2,646,248
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**2,149,660**	1,679,521
— Non-controlling interests	**1,157,671**	734,442
— Holders of Perpetual Capital Instruments	**164,195**	232,285
	3,471,526	2,646,248

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
	Note	**2018**	2017
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,447,648**	1,518,138
Land use rights	15	**449,296**	464,407
Investment properties	16	**12,031,700**	10,465,400
Prepayments	22	**—**	92,729
Intangible assets		**7,516**	8,485
Investments accounted for using the equity method	11	**7,697,952**	6,743,913
Financial assets at fair value through profit or loss	17	**802,087**	—
Available-for-sale financial assets	17	**—**	42,000
Deferred tax assets	27	**539,127**	512,609
Total non-current assets		**22,975,326**	19,847,681
Current assets			
Properties under development	19	**116,692,069**	90,900,267
Completed properties held for sale	19	**8,806,284**	9,477,128
Amounts due from customers for contract works		**—**	140,745
Contract assets	21	**530,514**	—
Trade and other receivables and prepayments	22	**18,482,121**	23,720,226
Amounts due from related parties	34	**8,359,546**	3,971,790
Prepaid taxation		**2,602,357**	1,604,331
Available-for-sale financial assets	17	**—**	16,959
Cash and bank balances	20	**24,995,661**	20,517,148
Total current assets		**180,468,552**	150,348,594
Total assets		**203,443,878**	170,196,275
EQUITY			
Share capital	23	**14**	13
Share premium	23	**4,423,556**	3,506,038
Other reserves	24	**8,331,258**	6,718,226
Capital and reserves attributable to owners of the Company		**12,754,828**	10,224,277
Non-controlling interests		**21,915,398**	17,794,795
Perpetual Capital Instruments	25	**948,132**	2,741,981
Total equity		**35,618,358**	30,761,053

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**37,709,817**	47,609,990
Deferred tax liabilities	27	**2,445,271**	3,041,401
Total non-current liabilities		**40,155,088**	50,651,391
Current liabilities			
Borrowings	26	**24,823,017**	21,843,620
Contract liabilities	21	**63,962,973**	—
Pre-sale proceeds received from customers		**—**	41,244,149
Trade and other payables	29	**28,338,602**	21,594,588
Amounts due to related parties	34	**5,478,112**	1,354,824
Current tax liabilities		**5,067,728**	2,746,650
Total current liabilities		**127,670,432**	88,783,831
Total liabilities		**167,825,520**	139,435,222
Total equity and liabilities		**203,443,878**	170,196,275

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 111 to 205 were approved by the Board of Directors of the Company (the "Board") on 21 March 2019 and were signed on its behalf.

Ou Zonghong **Zhang Lixin**

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Capital reserves RMB'000 (Note 24(a))	Statutory reserves RMB'000 (Note 24(b))	Share-based compensation reverse RMB'000 (Note 24(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 25)	Total equity RMB'000
Balance at 1 January 2018	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053
Comprehensive income										
— Profit for the year	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
Issuance of ordinary shares in connection with private placement	1	893,180	—	—	—	—	893,181	—	—	893,181
Issuance of ordinary shares in connection with exercise of share options	—	24,338	—	—	(8,783)	—	15,555	—	—	15,555
Change from a joint venture to a subsidiary	—	—	—	—	—	—	—	10,162	—	10,162
Acquisition of additional equity interest in a subsidiary (Note 10(c))	—	—	(551,428)	—	—	—	(551,428)	116	—	(551,312)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	2,952,654	—	2,952,654
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(1,800,000)	(1,800,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(158,044)	(158,044)
Share option scheme — value of employee services	—	—	—	—	23,583	—	23,583	—	—	23,583
Transfer to statutory reserves	—	—	—	435,042	—	(435,042)	—	—	—	—
Balance at 31 December 2018	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Capital reserves RMB'000 (Note 24(a))	Statutory reserves RMB'000 (Note 24(b))	Share-based compensation reverse RMB'000 (Note 24(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 25)	Total equity RMB'000
Balance at 1 January 2017	12	2,485,669	1,403,011	503,023	—	3,078,803	7,470,518	12,386,271	3,232,533	23,089,322
Comprehensive income										
— Profit for the year	—	—	—	—	—	1,679,521	1,679,521	734,442	232,285	2,646,248
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income						1,679,521	1,679,521	734,442	232,285	2,646,248
Issuance of ordinary shares in connection with private placement	1	1,020,369	—	—	—	—	1,020,370	—	—	1,020,370
Acquisition of subsidiaries	—	—	—	—	—	—	—	2,782,913	—	2,782,913
Capital injections from non-controlling interests	—	—	—	—	—	—	—	1,891,169	—	1,891,169
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(500,000)	(500,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(222,837)	(222,837)
Share option scheme — value of employee services	—	—	—	—	53,868	—	53,868	—	—	53,868
Transfer to statutory reserves	—	—	—	323,170	—	(323,170)	—	—	—	—
Balance at 31 December 2017	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**20,200,334**	(8,459,527)
PRC corporate income tax paid		**(1,152,815)**	(1,034,641)
PRC land appreciation tax paid		**(1,232,096)**	(877,571)
Net cash generated from/(used in) operating activities		**17,815,423**	(10,371,739)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and investment properties		**(1,186,947)**	(4,716,362)
Payments for purchase of intangible assets		**(1,711)**	(3,764)
Proceeds from disposal of equipment		**4,393**	5,050
Capital injections to joint ventures and associates		**(56,458)**	(3,238,593)
Purchase of subsidiaries arising on business combination, net of cash acquired		**—**	131,628
Payments for acquisition of financial assets at fair value through profit and loss		**(713,591)**	—
Payments for acquisition of available-for-sale financial assets		**—**	(42,000)
Proceeds from disposal of financial assets at fair value through profit and loss		**29,924**	—
Proceeds from disposal of available-for-sale financial assets		**—**	40,765
Interest received		**243,063**	85,365
Cash advances to related parties		**(6,736,972)**	(3,881,863)
Repayments from related parties		**2,349,216**	633,109
(Increase)/Decrease in term deposits		**(777,905)**	4,206,169
Net cash used in investing activities		**(6,846,988)**	(6,780,496)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	30(b)	**35,058,473**	41,577,553
Repayments of borrowings	30(b)	**(42,407,739)**	(15,052,461)
Redemption of Perpetual Capital Instruments		**(1,800,000)**	(500,000)
Distribution to holders of Perpetual Capital Instruments		**(158,044)**	(222,837)
Cash advances from related parties	30(b)	**4,325,477**	1,137,877
Repayments to related parties	30(b)	**(287,726)**	(1,390,467)
Issuance of ordinary shares in connection with private placement	23	**893,181**	1,020,370
Issuance of ordinary shares in connection with exercise of share options		**15,555**	—
Capital injection from non-controlling interests		**2,952,654**	1,891,169
Payment for acquisition of additional equity interest in a subsidiary		**(551,312)**	—
Interest paid		**(5,085,334)**	(3,934,296)
Restricted cash pledged for borrowings		**(547,732)**	(362,148)
Net cash (used in)/generated from financing activities		**(7,592,547)**	24,164,760
Net increase in cash and cash equivalents		**3,375,888**	7,012,525
Cash and cash equivalents at beginning of the year		**18,472,631**	11,525,557
Exchange gains/(losses) on cash and cash equivalents		**53**	(65,451)
Cash and cash equivalents at end of the year		**21,848,572**	18,472,631

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

Ronshine China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") are principally engaged in property development business in the People's Republic of China (the "PRC").

The Company's shares were listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 21 March 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment properties which are measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New and amended standards and interpretations adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 cycle	

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2.2, the adoption of other new and amended standards and interpretations did not have any material impact on the consolidated financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amendments and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
Annual Improvements to HKFRSs 2015-2017 cycle	Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements	1 January 2019
	Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes	
	Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs	
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKIFRS 17	Insurance Contracts	1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *HKFRS 16 Leases*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amendments and interpretations not yet adopted (continued)

(i) HKFRS 16 Leases (continued)

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB57,977,000, see note 32(b). Of these commitments, approximately RMB15,696,000 relate to short-term leases which will be recognised on a straight-line basis as expense in consolidated income statement.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB37,776,000 and lease liabilities of RMB37,776,000 on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that net profit after tax will decrease by approximately RMB931,000 for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash outflows will decrease and financing cash outflows will increase by approximately RMB4,505,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group adopted HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Interim condensed consolidated balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at fair value through profit or loss (FVPL)	—	42,000	—	42,000
Available-for-sale financial assets (AFS)	42,000	(42,000)	—	—
Current assets				
Amounts due from customers for contract works	140,745	—	(140,745)	—
Contract assets	—	—	140,745	140,745
AFS	16,959	(16,959)	—	—
FVPL	—	16,959	—	16,959
Current liabilities				
Pre-sale proceeds received from customers	41,244,149	—	(41,244,149)	—
Contract liabilities	—	—	41,244,149	41,244,149

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.2(b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

Reclassification from AFS to FVPL

Certain equity investments were reclassified from AFS to FVPL. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. There were no changes in fair value of the equity investments in previous years, therefore no adjustment was recorded to opening equity due to the reclassification.

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The Group has three types of financial assets measured at amortised cost that are subject to new expected credit loss model of HKFRS 9 either on a 12-month basis or a lifetime basis:

- trade receivables and contract assets
- other receivables and amounts due from related parties
- cash and bank balances

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

(i) Trade receivables and contract assets

The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets.

(ii) Other receivables and amounts due from related parties

The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables and amounts due from related parties.

(iii) Cash and bank balances

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 2.2(c) below.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, referred to as open contracts, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Contract assets recognised in relation to construction services were previously presented as Amounts due from customers for contract works.

Contract liabilities for progress billing recognised in relation to sales of properties were previously presented as Pre-sale proceeds received from customers.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(c) Adoption of HKFRS 15 (continued)

Accounting for revenue recognition of sales of properties and construction services

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a point in time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

Management has assessed the current sale agreements used by the Group in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the sales of properties, while the construction services meets the critiria for recognising revenue over time.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised facilities or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Equity method, associates and joint arrangements

(i) Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associate or joint ventures include goodwill identified on acquisitions. Upon the acquisitions of the ownership interests in an associate or joint ventures, any differences between the costs of the associate or joint ventures and the Group's share of the net fair value of the associate's or joint ventures' identifiable assets and liabilities are accounted for as goodwill.

If the ownership interests in the associate or joint ventures are reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Group's share of losses in the associate or joint ventures equals or exceeds its interests in the associate or joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate or joint ventures and their carrying values and recognises the amounts adjacent to "share of net profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.4 Equity method, associates and joint arrangements (continued)

(i) Equity method (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associate or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests in the associate or joint ventures are recognised in the consolidated income statement.

(ii) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint venture is accounted for using the equity method.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and bank balances and borrowings are presented in the consolidated income statement, within "finance (cost)/income — net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other income and other gains — net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Office equipment	3–5 years
Motor vehicles	4 years
Leasehold improvements and furniture, fitting and equipment	Shorter of lease term and useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in consolidated income statement. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 Intangible assets

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement within "*fair value gains on investment properties*".

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("Cash-generating Units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Debt instruments

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other gains-net together with foreign exchange gains and losses. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains-net. Impairment losses are presented as separated line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and other gains-net in the period in which it arises.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group applies the simplified approach permitted by HKFRS 9, which uses expected lifetime losses to be recognised from initial recognition of the assets for trade receivables and contract assets.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

Accounting policies applied until 31 December 2017

(i) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise "*trade and other receivables*", "*amounts due from related parties*", "*amounts due from customers for contract works*", "*restricted cash*", "*cash and cash equivalents*" and "*term deposits*" in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) *Reclassification*

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised, when monetary and non-monetary securities classified as available-for-sale in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and other gains-net from continuing operations.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Leases

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

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

2 Summary of significant accounting policies (continued)

2.14 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods. Land use rights to be developed for investment properties are accounted for as part of investment properties.

2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

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

2.16 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold and services provided in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and bank balances

In the consolidated statement of cash flow, cash and bank balances includes cash and cash equivalents, term deposits and restricted cash. Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Term deposits mainly refers to the bank deposits with initial term of over three months but within one year. Restrict cash is the bank deposits which are restricted to use.

2 Summary of significant accounting policies (continued)

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.20 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

2.23 Employee benefits

(a) Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contribution plans are expensed as incurred.

(b) Housing benefits

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.24 Share-based payments

Share-based compensation benefits are provided to directors and employees via the Group. Information relating to these schemes is set out in Note 24(c).

Share options

The fair value of options granted by the Group is recognised as a director and employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance: does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(ii) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(iii) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(iv) Service income

Service income is recognised when the related services are rendered.

(v) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(vi) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.27 Interest income

Interest income is presented as finance income where it is earned from bank deposits and is recognised using the effective interest method.

2.28 Dividend income

Dividends are received from FVPL and FVOCI (2017 — from FVPL and AFS financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. However, the investment may need to be tested for impairment as a consequence.

2 Summary of significant accounting policies (continued)

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.31 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the Group companies, except for certain transactions which are settled in foreign currencies. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Monetary assets denominated in:		
— United State Dollars ("US$")	**677,722**	1,589
— Hong Kong Dollars ("HK$")	**22,076**	—
Monetary liabilities denominated in:		
— US$	**7,232,740**	5,114,756
— HK$	**448,025**	—

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis in RMB against relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, respectively, the effect of increase/(decrease) on the profit for the year is:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
5% appreciation in RMB against:		
— US$	**327,751**	255,658
— HK$	**21,297**	—
5% depreciation in RMB against:		
— US$	**(327,751)**	(255,658)
— HK$	**(21,297)**	—

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2018, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2018 would increase/decrease RMB140,995,000 (2017: RMB117,923,000), which would have been capitalised in qualified assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances, trade and other receivable, amounts due from related parties and contract assets shown in the consolidated balance sheet.

As at 31 December 2018, substantially all the Group's bank deposits included in cash and bank balances were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Big four commercial banks of the PRC (Note (i))	**5,087,733**	3,825,245
Other listed banks in the PRC	**11,034,119**	8,620,817
Other non-listed banks in the PRC	**8,873,217**	8,070,480
Other non-listed banks in the Macau	**—**	58
	24,995,069	20,516,600

Note(i): big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 31. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and bank balances or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Borrowings	**28,640,031**	**28,835,664**	**9,989,755**	**1,387,133**	**68,852,583**
Trade and other payables, excluding accrual for staff costs and other taxes payable	**24,599,291**	**—**	**—**	**—**	**24,599,291**
Amounts due to related parties	**5,478,112**	**—**	**—**	**—**	**5,478,112**
Financial guarantee	**29,066,196**	**—**	**—**	**—**	**29,066,196**
Guarantee provided for joint ventures	**3,000,000**	**—**	**—**	**—**	**3,000,000**
	90,783,630	**28,835,664**	**9,989,755**	**1,387,133**	**130,996,182**
As at 31 December 2017					
Borrowings	25,389,158	32,747,787	15,876,079	1,774,700	75,787,724
Trade and other payables, excluding accrual for staff costs and other taxes payable	20,506,007	—	—	—	20,506,007
Amounts due to related parties	1,354,824	—	—	—	1,354,824
Financial guarantee	20,646,169	—	—	—	20,646,169
Guarantee provided for joint ventures	2,057,910	—	—	—	2,057,910
	69,954,068	32,747,787	15,876,079	1,774,700	120,352,634

Note: Interests on borrowings were calculated on borrowings held as at 31 December 2018 (2017: same). Floating-rate interests were estimated using the current interest rate as at 31 December 2018 (2017: same).

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owners, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings (Note 26)	**62,532,834**	69,453,610
Less: Cash and bank balances (Note 20)	**(24,995,661)**	(20,517,148)
Net borrowings	**37,537,173**	48,936,462
Total equity	**35,618,358**	30,761,053
Gearing ratio	**1.05**	1.59

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related parties, FVPL (2017: available for sale financial assets). The Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determined fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(ii) Valuation techniques used to determined fair values (continued)

The following table presents the Group's FVPL were measured at fair value at 31 December 2018.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL:				
— Unlisted equity securities	17	697,977	104,110	802,087

The following table presents the Group's FVPL were measured at fair value at 31 December 2017.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
AFS				
— Unlisted equity securities		16,959	42,000	58,959

(iii) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 items for the periods ended 31 December 2018,

	Level 3 RMB'000
Opening balance 1 January 2017	—
Additions	42,000
Disposals	—
Closing balance 31 December 2017	42,000
Additions	57,731
Disposals	(12,965)
Gains recognised in profit or loss	17,344
Closing balance 31 December 2018	**104,110**
Unrealized gain recognised for the year	**17,344**

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

The FVPL were measured at fair value, which was grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, were used to determine fair value for the financial assets.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

(b) Non-financial assets

The non-financial assets of investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived using the direct comparison approach and residual approach. The direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. The residual approach takes into account the residual value on the completed gross development value ("GDV") after deduction of the outstanding construction costs and expenses as well as profit element. It first assesses the GDV or estimated value of the proposed developments as if completed at the date of valuation. Estimated cost of the development includes construction costs, marketing, professional fees, finance charges, and associated costs, plus an allowance for the developer's risk and profit. The development costs are deducted from the GDV. The resultant figure is the residual value of the subject property.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2018 and 31 December 2017 for recurring fair value measurements are disclosed in Note 16.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Properties status	Fair value at 31 December 2018 RMB'000	2017 RMB'000	Unobservable inputs	Range of inputs in 2018	2017
Completed	**5,735,900**	4,392,000	Capitalisation rate[1]	**3.5%~5.3%**	2.5%~5.0%
			Market rents[2] (RMB/square meter/month)	**14-220**	14-213
Under development	**6,295,800**	6,073,400	Market prices[2] (RMB/square meter)	**4,500-67,409**	4,792-60,726
			Anticipated developer's profit margins[3]	**25%**	25%
Total	**12,031,700**	10,465,400			

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value (continued)

Relationship of unobservable inputs to fair value:

— 1 The higher the capitalisation rate, the lower the fair value;

— 2 The higher the market rents and market prices, the higher the fair value;

— 3 The higher the anticipated developer's profit margins, the higher the fair value.

(v) Valuation processes

The Group's investment properties were valued at 31 December 2018 by independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and valuer at least once every six months, in line with the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

4 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

The Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the realisability of these properties and prepayments. As a result, provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for properties under development and prepayments for acquisition of land use rights.

(b) Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

4 Critical estimates and judgments (continued)

(c) Valuation of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3.3(b).

(d) Corporate income tax, land appreciation tax and deferred taxation

The Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of the Group's projects in the PRC. The Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Deferred income tax liabilities are provided to the taxable temporary differences arising from the Group's investments in subsidiaries, joint ventures and an associate unless the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Provisions for deferred land appreciation tax liabilities relating to the taxable temporary difference of investment properties are provided unless management determines that the expected manner of recovery of the properties is through rental income from the lease of the properties only. All these involve management's judgments and estimations and the actual outcome may be different.

5 Segment information

The executive directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the year ended 31 December 2018 (2017: same).

(a) As at 31 December 2018, the total assets, other than financial assets at fair value through profit or loss of the Group were located in the PRC (2017: same).

(b) There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2018 (2017: same).

6 Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers:		
Revenue from sales of properties		
— Recognised at a point in time	**33,406,515**	29,588,530
Revenue from construction services, hotel operations and others:		
— Recognised at a point in time	**173,304**	91,292
— Recognised over time	**650,637**	559,570
Revenue from other sources-rental income	**136,044**	102,012
	34,366,500	30,341,404

7 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	**25,644,539**	24,140,449
Staff costs (including directors' emoluments) (Note 8)	**1,299,999**	790,093
Advertising costs	**464,037**	448,025
Business taxes and other taxes	**407,253**	712,425
Property management fees	**185,582**	77,826
Consulting fees	**118,458**	93,178
Depreciation (Note 14)	**113,397**	67,030
Office and travelling expenses	**105,001**	77,014
Office lease payments	**95,518**	58,310
Entertainment expenses	**73,413**	49,616
Amortisation of intangible assets and land use right	**17,792**	7,747
Auditors' remuneration	**15,000**	10,015
Others	**239,770**	479,684
Total	**28,779,759**	27,011,412

8 Staff costs — including directors' emoluments

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,201,193**	694,587
Pension costs	**75,223**	41,638
Value of employee services under share option scheme	**23,583**	53,868
	1,299,999	790,093

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**12,452**	6,832
Pension costs	**306**	188
Value of employee services under share option scheme	**7,919**	14,559
	20,677	21,579

(i) For the year ended 31 December 2018

Name of directors	Fees	Salaries and other benefits	Pension costs	Value of employee services under share option scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	2,239	51	—	2,290
— Mr. Wu Jian (note (iii))	—	1,690	51	1,250	2,991
— Mr. Lin Junling (note (iii))	—	2,279	51	1,250	3,580
— Ms. Zeng Feiyan	—	2,039	51	2,361	4,451
— Mr. Ruan Youzhi (note (iv))	—	2,039	51	2,361	4,451
— Mr. Zhang Lixin (note (iv))	—	1,439	51	697	2,187
Non-executive directors:					
— Ms. Chen Shucui (note (v))	118	—	—	—	118
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	203	—	—	—	203
— Mr. Ren Yunan	203	—	—	—	203
— Mr. Qu Wenzhou	203	—	—	—	203
	727	11,725	306	7,919	20,677

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2017

Name of directors	Fees	Salaries and other benefits	Pension costs	Value of employee services under share option scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Ou	—	1,468	47	—	1,515
— Mr. Wu Jian	—	1,703	47	4,853	6,603
— Mr. Lin Junling	—	1,459	47	4,853	6,359
— Ms. Zeng Feiyan	—	1,599	47	4,853	6,499
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	201	—	—	—	201
— Mr. Ren Yunan	201	—	—	—	201
— Mr. Qu Wenzhou	201	—	—	—	201
	603	6,229	188	14,559	21,579

During the year ended 31 December 2018, none of the directors of the Company waived his emoluments nor has agreed to waive his emoluments (2017: same).

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable (2017: same). No consideration was provided to or receivable by third parties for making available directors' services (2017: same).

There were no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities as at 31 December 2018 (2017: same).

Other than those disclosed in Note 34(e), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: same).

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(iii) Mr.Wu Jian and Mr.Lin Junling have resigned the director position in November 2018.

(iv) Mr. Ruan Youzhi and Mr.Zhang Lixin were appointed as a director in November 2018.

(v) Ms. Chen Shucui was appointed as a director in June 2018.

(b) Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group included four (2017: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2017: two) individual during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**2,039**	2,945
Pension costs	**51**	94
Value of employee services under share option scheme	**2,361**	8,444
	4,451	11,483

The emoluments payable to the remaining one (2017: two) individual falls within the following band:

	Year ended 31 December	
	2018	2017
Annual emolument band:		
— HK$5,000,000–HK$5,500,000	**1**	—
— HK$6,500,000–HK$7,000,000	**—**	2

During the year ended 31 December 2018, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: none).

9 Finance (cost)/income — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**243,063**	85,365
— Net foreign exchange gains	**—**	162,295
	243,063	247,660
Finance costs		
— Net foreign exchange losses	**(457,868)**	—
— Interest expenses of borrowings	**(5,226,070)**	(4,018,484)
— Less: capitalised interest (Note (i))	**5,148,995**	3,993,855
	(534,943)	(24,629)
Finance (cost)/income — net	**(291,880)**	223,031

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018 was 7.06% (2017: 6.65%).

10 Subsidiaries

(a) The Group's principal subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. The proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of companies		Type of legal status	Place of operation/ establish-ment	Principal activities	Authorised/ registered/paid up capital and debt securities	Ownership interest held by the Group %	Ownership interest held by non-controlling interests %
Indirectly held by the Company:							
融信(福建)投資集團有限公司	Rongxin (Fujian) Investment Group Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB4,025,000,000	100%	-
融信(福州)置業有限公司	Rongxin (Fuzhou) Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB270,833,300	80%	20%
和美(上海)房地產開發有限公司	Hemei (Shanghai) Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB19,607,843	51% (i)	49%
福州融信雙杭投資發展有限公司	Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered capital of RMB200,000,000 and paid up capital of RMB100,000,000	100%	-
福建泰坤貿易有限公司	Fujian Taikun Trading Co., Ltd.	Limited liability company	PRC	Investment Holdings	Registered and paid up capital of RMB5,000,000	100%	-
福州世歐房地產開發有限公司	Fuzhou Shiou Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB3,000,000,000	50% (i)	50%
福建世歐投資發展有限公司	Fujian Shiou Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB500,000,000	50% (i)	50%
和美(漳州)房地產有限公司	Hemei (Zhangzhou) Property Co.,Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB50,000,000	100%	-
杭州愷澤房地產開發有限公司	Hangzhou Kaize Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	93%	7%
上海愷居房地產開發有限公司	Shanghai Kaiju Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB800,000,000	51% (i)	49%
杭州愷興房地產開發有限公司	Hangzhou Kaixing Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,000,000,000	75%	25%
上海愷冠臻房地產開發有限公司	Shanghai Kaiguanzhen Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB5,500,000,000	50% (i)	50%
杭州萬晨置業有限公司	Hangzhou Wanchen Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,300,000,000	50% (i)	50%
安徽海亮房地產有限公司	Anhui Hailiang Property Co.,Ltd. ("Anhui Hailiang")	Limited liability company	PRC	Property development	Registered capital of RMB3,150,000,000 and paid up capital of RMB2,162,500,000	55%	45% (b)
寧波海亮房地產投資有限公司	Ningbo Hailiang Property Investment	Limited liability company	PRC	Property development	Registered and paid up capital of RMB300,000,000	55%	45% (b)

* The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

10 Subsidiaries (continued)

(a) The Group's principal subsidiaries (continued)

(i) In accordance with the cooperation agreements with co-developers and articles of associations of these companies, the Group has controlling power in the shareholders' meetings and board of directors' meetings in decision on the relevant operational activities. Accordingly, the Group has exposure or rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities. Thus these companies are accounted for as subsidiaries of the Group.

(ii) Significant restriction

The conversion of RMB denominated balances of cash and bank balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. These regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends. As at 31 December 2018, the carrying amount of the cash and bank balances included within the consolidated financial statements to which these restrictions applied was denominated in RMB (2017: same).

Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements of the Group as at 31 December 2018 and 2017 (Note 33).

(b) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the combined summarised financial information for Hailiang Group that has non-controlling interests that are material to the Group. Hailiang Group was acquired from a third party on 31 July 2017 (the "Acquisition Date"). The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheets as at 31 December

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**1,013,228**	857,519
Non-current liabilities	**(924,680)**	(2,371,338)
Non-current net assets/(liabilities)	**88,548**	(1,513,819)
Current assets	**30,480,710**	31,002,705
Current liabilities	**(22,699,663)**	(21,928,796)
Current net assets	**7,781,047**	9,073,909
Net assets	**7,869,595**	7,560,090
Proportionate share of the net assets attributable to non-controlling interests	**3,847,428**	3,627,845

10 Subsidiaries (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement and statement of comprehensive income for the year ended 31 December 2018 and for the period from the Acquisition Date to 31 December 2017

	Year ended 31 December 2018 RMB'000	The period from the Acquisition Date to 31 December 2017 RMB'000
Profit/(loss) before income tax	**574,259**	(91,366)
Income tax expense	**(189,918)**	(33,788)
Profit/(loss) for the year/period	**384,341**	(125,154)
Total comprehensive income for the year/period	**384,341**	(125,154)
Total loss and comprehensive income for the year/period allocated to non — controlling interests	**160,318**	(60,920)

Summarised statement of cash flows for the year ended 31 December 2018 and for the period from the Acquisition Date to 31 December 2017

	Year ended 31 December 2018 RMB'000	The period from the Acquisition Date to 31 December 2017 RMB'000
Net cash generated from/(used in) operating activities	**3,277,463**	(747,306)
Net cash generated from/(used in) investing activities	**159,900**	(4,648)
Net cash (used in)/generated from financing activities	**(1,893,147)**	388,911
Net increase/(decrease) in cash and cash equivalents	**1,544,216**	(363,043)
Cash and cash equivalents at beginning of the period	**2,665,109**	3,028,152
Cash and cash equivalents at end of the period	**4,209,325**	2,665,109

(c) Transaction with non-controlling interests

On 12 November 2018, the Group acquired an additional 49% non-controlling interest of a subsidiary from Zhengzhou Yuhan Real Estate Development Co. Ltd for RMB551,312,000. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in the jointly controlled project was deficit RMB116,000. The Group recognised an increase in non-controlling interests of RMB116,000 and a decrease in equity attributable to owners of the parent of RMB551,428,000.

11 Investments accounted for using the equity method

(a) Investments accounted for using the equity method

(i) Amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Investments accounted for using the equity method:		
— Joint ventures	**6,454,808**	5,831,016
— Associates	**1,243,144**	912,897
	7,697,952	6,743,913

(ii) The amounts recognised in the consolidated income statement are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method:		
— Joint ventures	**114,309**	202,000
— Associates	**788,372**	81,100
	902,681	283,100

(iii) The Group made equity investments in certain real estate project companies where the Group has significant influence or jointly controls, with total consideration of RMB56,458,000 in 2018 (2017: RMB3,238,593,000). The Group accounted for these equity investments using equity method.

11 Investments accounted for using the equity method (continued)

(b) Set out below are major joint ventures and associates of the Group as at 31 December 2018. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation and business	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州利博順泰房地產開發有限公司	Fuzhou Liboshuntai Property Development Co., Ltd. ("Fuzhou Liboshuntai")	PRC	50%	Equity	Property development
海融(漳州)房地產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
上海愷泰房地產開發有限公司	Shanghai Kaitai Property Development Co., Ltd. ("Shanghai Kaitai")	PRC	50%	Equity	Property development
上海愷岱房地產開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
福州裕百川房地產開發有限公司	Fuzhou Yubaichuan Real Estate Development Co., Ltd.	PRC	34%	Equity	Property development
Associates					
銀川海茂房地產有限公司	Yinchuan Hai Mao Real Estate Co., Ltd.	PRC	27%	Equity	Property development
漳州市萬科濱江置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development

11 Investments accounted for using the equity method (continued)

(c) Summarised financial information for joint ventures

(i) Set out below is the summarised financial information for Shanghai Kaitai, which is material to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**4**	18
Non-current liabilities	**—**	(333,820)
Non-current net assets/(liabilities)	**4**	(333,802)
Current assets	**10,292,050**	8,651,451
Current liabilities	**(5,944,711)**	(5,492,984)
Current net assets	**4,347,339**	3,158,467
Net assets	**4,347,343**	2,824,665
Carrying value of the Group's interest in Shanghai Kaitai	**2,173,672**	1,412,333

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**2,747,401**	694,278
Income tax expense	**(1,224,723)**	(285,146)
Profit for the year	**1,522,678**	409,132
Total comprehensive income for the year	**1,522,678**	409,132
Share of the net profit of Shanghai Kaitai accounted for using the equity method	**761,339**	204,566

12 Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
PRC corporate income tax	**1,877,753**	1,140,187
PRC LAT	**1,930,210**	1,258,057
	3,807,963	2,398,244
Deferred income tax:		
PRC corporate income tax	**(621,841)**	(54,753)
Income tax expense	**3,186,122**	2,343,491

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**6,657,648**	4,989,739
Less: share of net profits of associates and joint ventures	**(902,681)**	(283,100)
	5,754,967	4,706,639
Tax calculated at applicable corporate income tax rates	**1,524,492**	1,160,068
Effect of expenses not deductible for income tax	**213,973**	239,880
PRC LAT deductible for income tax purpose	**(482,553)**	(314,514)
PRC corporate income tax	**1,255,912**	1,085,434
PRC LAT	**1,930,210**	1,258,057
	3,186,122	2,343,491

Deferred tax liabilities of RMB964,352,000 (2017: RMB666,144,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries amounting to RMB9,643,520,000 as at 31 December 2018 (31 December 2017: RMB6,661,440,000). The Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

12 Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2017 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Hong Kong profits tax

The applicable Hong Kong profits tax rate was 16.5% for the year ended 31 December 2018 (2017: 16.5%). Hong Kong profits tax was not been provided as the Group did not have any assessable profit subject to Hong Kong profits tax for the year ended 31 December 2018 (2017: Nil).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

13 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,149,660**	1,679,521
Weighted average number of ordinary shares in issue	**1,552,963,000**	1,373,813,000
Basic earnings per share (RMB per share)	**1.38**	1.22

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,149,660**	1,679,521
Weighted average number of ordinary shares in issue	**1,552,963,000**	1,373,813,000
Adjustments — share options and awarded shares	**18,454,000**	2,725,000
Weighted average number of ordinary shares for diluted earnings per share	**1,571,417,000**	1,376,538,000
Diluted earnings per share (RMB per share)	**1.37**	1.22

14 Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements and furniture, fitting and equipment RMB'000	Properties under construction RMB'000	Total RMB'000
As at 1 January 2017						
Cost	675,656	27,668	44,859	49,219	574,798	1,372,200
Accumulated depreciation	(14,518)	(13,094)	(21,816)	(1,715)	—	(51,143)
Net book amount	661,138	14,574	23,043	47,504	574,798	1,321,057
Year ended 31 December 2017						
Opening net book amount	661,138	14,574	23,043	47,504	574,798	1,321,057
Business combination	2,366	—	4,481	4,471	—	11,318
Additions	1,231	9,594	10,659	9,329	225,181	255,994
Transfer	784,587	—	—	15,392	(799,979)	—
Disposals	—	(705)	(2,496)	—	—	(3,201)
Depreciation charges	(36,134)	(7,407)	(8,235)	(15,254)	—	(67,030)
Closing net book amount	1,413,188	16,056	27,452	61,442	—	1,518,138
At 31 December 2017						
Cost	1,463,840	35,571	51,344	78,411	—	1,629,166
Accumulated depreciation	(50,652)	(19,515)	(23,892)	(16,969)	—	(111,028)
Net book amount	1,413,188	16,056	27,452	61,442	—	1,518,138
Year ended 31 December 2018						
Opening net book amount	**1,413,188**	**16,056**	**27,452**	**61,442**	**—**	**1,518,138**
Additions	**346**	**15,838**	**7,122**	**23,713**	**—**	**47,019**
Disposals	**—**	**(1,329)**	**(1,058)**	**(1,725)**	**—**	**(4,112)**
Depreciation charges	**(62,304)**	**(7,108)**	**(9,170)**	**(34,815)**	**—**	**(113,397)**
Closing net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**—**	**1,447,648**
At 31 December 2018						
Cost	**1,464,186**	**46,478**	**55,668**	**100,224**	**—**	**1,666,556**
Accumulated depreciation	**(112,956)**	**(23,021)**	**(31,322)**	**(51,609)**	**—**	**(218,908)**
Net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**—**	**1,447,648**

As at 31 December 2018, certain properties, plant and equipment of the Group are pledged as security for the borrowings of the Group (Note 33).

15 Land use rights

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net book amount	**464,407**	479,518
Amortisation	**(15,111)**	(15,111)
Closing net book amount	**449,296**	464,407

Amounts represented the land use rights of hotels properties. The relevant land use rights were held on leases of 40 years.

As at 31 December 2018, certain land use rights of the Group are pledged as security for the borrowings of the Group (Note 33).

16 Investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets — at fair value:		
Opening balance at 1 January	**10,465,400**	4,058,000
Addition	**1,229,657**	4,571,905
Transfer from properties under development	**—**	727,400
Fair value gains	**336,643**	1,108,095
Closing balance at 31 December	**12,031,700**	10,465,400
Total gains for the year recognised in profit or loss and included in "*fair value gains on investment properties*" of the consolidated income statement — unrealised	**336,643**	1,108,095
Rental income (Note 6)	**136,044**	102,012

16 Investment properties (continued)

(a) As at 31 December 2018, the Group had no contractual obligations for repairs, maintenance or enhancements (2017: same).

(b) As at 31 December 2018, certain investment properties of the Group are pledged as security for the borrowings of the Group (Note 33).

(c) The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018, in this case 7.06% (2017: 6.65%).

(d) The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Not later than one year	**155,994**	122,002
– Later than one year and not later than five years	**413,641**	404,483
– Later than five years	**496,537**	529,910
	1,066,172	1,056,395

17 Financial assets at fair value through profit or loss/Available-for-sale financial assets

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Unlisted equity securities	**802,087**	42,000
Current assets		
Unlisted equity securities	**–**	16,959

The investments mainly represented unlisted equity investments in various entities, including investment fund companies and real estate project companies, each of which the Group holds less than 20% equity interest in. These investments were not traded in active markets. Therefore, the fair value related to investment fund companies were determined in accordance with observable market data, which were categorized within level 2 of the fair value hierarchy. The fair value related to unlisted real estate project companies were determined based on unobservable market data, which were categorized within level 3 of the fair value hierarchy. Fair value gain on equity investment at FVPL recognised in "other income and other gains –net" was RMB 59,461,000 (2017: nil).

18 Financial instruments by category

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost (2017: loans and receivables)		
— Trade receivable and other receivables	**8,443,081**	7,743,495
— Amounts due from related parties	**8,359,546**	3,971,790
— Cash and bank balances	**24,995,661**	20,517,148
FVPL — unlisted equity securities	**802,087**	—
AFS — unlisted equity securities	**—**	58,959
	42,600,375	32,291,392
Financial liabilities:		
Liabilities at amortised cost		
— Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**27,138,035**	20,506,007
— Amounts due to related parties	**5,478,112**	1,354,824
— Borrowings	**62,532,834**	69,453,610
	95,148,981	91,314,441

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development:		
— Construction costs	**24,629,424**	13,950,974
— Capitalised interests	**10,316,532**	6,932,891
— Land use rights	**81,746,113**	70,016,402
	116,692,069	90,900,267
Completed properties held for sale:		
— Construction costs	**4,314,331**	4,869,516
— Capitalised interests	**1,198,545**	1,180,057
— Land use rights	**3,293,408**	3,427,555
	8,806,284	9,477,128

(a) Assigning costs to inventories

The costs of individual items of properties under development are determined where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See Note 2.15 for the Group's accounting policies for properties under development and completed properties held for sale.

The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018, in this case 7.06% (2017: 6.65%).

19 Properties under development and completed properties held for sale (continued)

(b) Amounts recognised in profit or loss

Completed properties held for sale recognised as costs of sales during the year ended 31 December 2018 amounted to RMB25,307,734,000 (2017: RMB24,274,435,000).

There are no write-downs of inventories to net realisable value during the year ended 31 December 2018 (2017: RMB31,973,000 recognised as costs of sales).

(c) Pledge information

As at 31 December 2018, certain Properties under development and completed properties held for sale of the Group are pledged as security for the borrowings of the Group (Note 33).

20 Cash and bank balances

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents denominated in (Note (a)):		
— RMB	**21,838,867**	18,471,107
— USD	**5,418**	1,524
— HK$	**4,287**	—
	21,848,572	18,472,631
Term deposits denominated in RMB (Note (b)):	**888,905**	111,000
Restricted cash denominated in RMB (Note (c)):	**2,258,184**	1,933,517
	24,995,661	20,517,148

(a) The Group's cash on hand as 31 December 2018 amounted to RMB592,000 (2017: RMB548,000).

(b) The weighted average effective interest rate of the Group's term deposits as at 31 December 2018 was 2.25% per annum (31 December 2017: 3.6% per annum). The carrying amounts of the Group's term deposits approximate their fair values, as the impact of discounting is not significant.

20 Cash and bank balances (continued)

(c) Amounts mainly represent cash deposits with designated banks as guarantee deposits for construction of properties, securities for borrowings and for issuance of commercial bills.

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place certain amount of properties presale proceeds at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

21 Contract assets and liabilities

The Group has recognised following assets and liabilities related to contracts with customer:

	Year ended 31 December 2018 RMB'000	1 January 2018 RMB'000
Current contract assets:		
Contract cost –sales commission	**350,003**	–
Contract cost –sales of construction service	**180,511**	140,745
Current contract liabilities — sales of properties	**63,962,973**	41,244,149

(i) Significant changes in contract liabilities

The significant increase of contract liabilities in 2018 was due to increase in pre-sale of properties.

(ii) Revenue recognised in relation to contract liabilities

(a) The following table set out the amount of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period — sales of properties	**16,952,461**

(b) Unsatisfied contracts, mainly comprise of contract liabilities, related to sales of properties are expected to be recognised in 1 to 3 years, as of 31 December 2018.

22 Trade and other receivables and prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables (Note (a))	**59,580**	316,456
Notes receivable	**—**	2,300
Other receivables:		
— Amounts due from minority interests	**6,503,833**	3,426,786
— Deposits for acquisition of land use rights and property development projects	**871,281**	2,461,113
— Deposits for construction contracts	**50,000**	50,000
— Receivables from local governments	**100,000**	405,265
— Others	**858,387**	1,081,575
	8,383,501	7,424,739
Prepayments:		
— Prepayments for acquisition of land use rights	**4,635,286**	14,459,839
— Prepaid value added tax, business taxes and other taxes	**5,149,216**	1,469,653
— Others	**254,538**	139,968
	10,039,040	16,069,460
Total trade and other receivables and prepayments	**18,482,121**	23,812,955
Less: non-current portion of prepayments	**—**	(92,729)
Current portion of trade and other receivables and prepayments	**18,482,121**	23,720,226

22 Trade and other receivables and prepayments (continued)

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sale of properties is settled in accordance with the terms stipulated in the sale and purchase agreements.

Ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**55,190**	307,735
Over one year	**4,390**	8,721
	59,580	316,456

These trade receivables relate to a number of independent customers for whom there is no significant financial difficulty. Management does not expect any credit loss for these receivables.

(b) As at 31 December 2018, the Group's trade and other receivables were mainly denominated in RMB (2017: same). As at 31 December 2018, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (2017: same).

23 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$	RMB'000	RMB'000	RMB'000
At 1 January 2017	1,352,348,000	13,523	12	2,485,669	2,485,681
Issue of ordinary shares in connection with private placement	142,452,500	1,425	1	1,020,369	1,020,370
At 31 December 2017	1,494,800,500	14,948	13	3,506,038	3,506,051
At 1 January 2018	**1,494,800,500**	**14,948**	**13**	**3,506,038**	**3,506,051**
Issue of ordinary shares in connection with private placement (Note (b))	**103,500,000**	**1,035**	**1**	**893,180**	**893,181**
Exercise of share options	**2,960,000**	**—**	**—**	**24,338**	**24,338**
At 31 December 2018	**1,601,260,500**	**15,983**	**14**	**4,423,556**	**4,423,570**

(a) The authorised share capital of the Company as at 31 December 2018 was HK$380,000 (2017: same) divided into 38,000,000,000 shares (2017: same).

(b) On 12 June 2018, 103,500,000 shares of the Company were placed to certain independent investors at price of HK$10.62 per share.

24 Other reserves

(a) Capital reserves

Capital reserves mainly represented accumulated capital contribution from the shareholders of the group companies.

(b) Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

(c) Share-based compensation reserve

The Company approved and adopted a share option scheme on 28 December 2015 (the "Share Option Scheme"). Share options under the Share Option Scheme (the "Option") are granted to eligible participant (the "Eligibles") including directors and other employees. Options are conditional on the Eligibles have served the Group for certain periods (the vesting period). Share Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each Option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the Options in cash.

On 5 January 2017, approximately 62,469,000 Options were granted to Eligibles with an exercise price of HK$5.96 per share. None of the outstanding Options as at 31 December 2018 was exercisable or expired. The expiry date of the Options will be 4 January 2022. Particulars of Options are as follows:

Vesting period	Exercise period	Number of outstanding Options as at 31 December 2018
1 years to 5 January 2018	5 January 2018 to 4 January 2022	**14,020,000**
2 years to 5 January 2019	5 January 2019 to 4 January 2022	**14,592,000**
3 years to 5 January 2020	5 January 2020 to 4 January 2022	**15,712,000**
		44,324,000

24 Other reserves (continued)

(c) Share-based compensation reserve (continued)

Set out below are movements of Options granted under the Share Option Scheme:

	Number of Options
As at 1 January 2018	57,284,000
Forfeited during the year	(10,000,000)
Exercise during the year	(2,960,000)
As at 31 December 2018	44,324,000

The fair values of Options determined by reference to valuation prepared by an independent valuer, using the Binomial valuation model range from HK$1.88 to HK1.99 per Option. The significant inputs in the model were as follows:

(a)	expected expiry date:	4 January 2022
(b)	stock price at grant date and exercise price	HK$5.96 per share
(c)	volatility	34.41%
(d)	annual risk-free interest rate	2.09%
(e)	dividend yield	nil
(f)	suboptimal factors	2 or 3

The total expenses recognised in consolidated income statement for Options granted to Eligibles for the year ended 31 December 2018 amounted to RMB23,583,000 (2017: RMB53,868,000).

25 Perpetual Capital Instruments

In 2016, certain group companies issued certain subordinated Perpetual Capital Instruments (the "Perpetual Capital Instruments"). The Perpetual Capital Instruments do not have maturity dates and the distribution payments can be deferred at the discretion of either the group companies or the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the group companies or the Company elects to declare dividends to their shareholders, the group companies shall make distributions to the holders of Perpetual Capital Instruments at the distribution rates as defined in the subscription agreements. Movements of the Perpetual Capital Instruments are as follows:

	Principal	Distribution/ appropriation of profit	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	**2,700,000**	**41,981**	**2,741,981**
Redemption of Perpetual Capital Instruments	**(1,800,000)**	—	**(1,800,000)**
Profit attributable to holders of Perpetual Capital Instruments	—	**164,195**	**164,195**
Distributions made to holders of Perpetual Capital Instruments	—	**(158,044)**	**(158,044)**
Balance as at 31 December 2018	**900,000**	**48,132**	**948,132**
Balance as at 1 January 2017	3,200,000	32,533	3,232,533
Redemption of Perpetual Capital Instruments	(500,000)	—	(500,000)
Profit attributable to holders of Perpetual Capital Instruments	—	232,285	232,285
Distributions made to holders of Perpetual Capital Instruments	—	(222,837)	(222,837)
Balance as at 31 December 2017	2,700,000	41,981	2,741,981

26 Borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes — unsecured	**6,266,527**	2,566,458
Asset backed securities — secured	**1,300,000**	827,200
Corporate bonds — unsecured	**10,454,463**	10,949,664
Borrowings from financial institutions — secured (Note (a))	**39,392,048**	49,165,935
Less: current portion of non-current borrowings	**(19,703,221)**	(15,899,267)
	37,709,817	47,609,990
Borrowings included in current liabilities:		
Borrowings from financial institutions — secured (Note (a))	**5,119,796**	5,944,353
Current portion of non-current borrowings	**19,703,221**	15,899,267
	24,823,017	21,843,620
Total borrowings	**62,532,834**	69,453,610

(a) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 33. In addition to pledge of the Group's assets, Mr. Ou has provided personal guarantee for the borrowings from financial institutions of RMB1,932,000,000 as at 31 December 2018 (2017: RMB2,185,500,000).

26 Borrowings (continued)

(b) At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**24,823,017**	21,843,620
Between 1 and 2 years	**27,141,264**	31,267,858
Between 2 and 5 years	**9,259,579**	14,668,873
Over 5 years	**1,308,974**	1,673,259
Total	**62,532,834**	69,453,610

(c) The weighted average effective interest rates are as follows:

	As at 31 December	
	2018	2017
Senior notes	**9.05%**	8.96%
Asset backed securities	**7.50%**	5.62%
Corporate bonds	**7.34%**	7.83%
Borrowings from financial institutions	**6.74%**	6.64%
Weighted average effective interest rates	**7.09%**	6.90%

(d) The Group's borrowings were denominated:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
— RMB	**54,852,070**	64,338,853
— US$	**7,232,740**	5,114,757
— HKD	**448,024**	—
	62,532,834	69,453,610

(e) The fair value of senior notes as at 31 December 2018 was RMB6,385,508,000 (2017: RMB2,569,692,000), which was quoted in Singapore Exchange Ltd. and within level 1 of the fair value hierarchy. The carrying amounts of borrowings other than senior notes approximate their fair values as at 31 December 2018 (2017: same) as either the impact of discounting were not significant or the borrowings carry floating rates of interests.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

27 Deferred tax assets and liabilities

(i) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets		
— to be recovered within 12 months	**419,662**	238,795
— to be recovered after 12 months	**313,069**	285,596
— Set-off of deferred tax liabilities pursuant to set-off provisions	**(193,604)**	(11,782)
	539,127	512,609
Deferred tax liabilities		
— to be recovered within 12 months	**(368,447)**	(593,780)
— to be recovered after 12 months	**(2,270,428)**	(2,459,403)
— Set-off of deferred tax liabilities pursuant to set-off provisions	**193,604**	11,782
	(2,445,271)	(3,041,401)
	(1,906,144)	(2,528,792)

The net movement on the deferred tax accounts is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**(2,528,792)**	(1,220,584)
Credited to the consolidated income statement (Note 12)	**621,841**	54,753
Business combination	**807**	(1,362,961)
At 31 December	**(1,906,144)**	(2,528,792)

27 Deferred tax assets and liabilities (continued)

(ii) The movement in deferred tax assets and liabilities during the years are as follows:

	Deferred tax assets – tax losses and others RMB'000	Deferred tax liabilities – fair value gains RMB'000	Deferred tax liabilities – excess of carrying amount of PUD and PHS over the tax bases RMB'000
At 1 January 2017	258,949	(362,660)	(1,116,873)
Business combination	137,493	—	(1,500,454)
Credited/(charged) to the consolidated income statement	127,949	(305,876)	232,680
Set-off of deferred tax liabilities pursuant to set-off provisions	(11,782)	39	11,743
At 31 December 2017	512,609	(668,497)	(2,372,904)
At 1 January 2018	**512,609**	**(668,497)**	**(2,372,904)**
Business combination	**4,387**	**—**	**(3,580)**
Credited/(charged) to the consolidated income statement	**215,735**	**(117,152)**	**523,258**
Set-off of deferred tax liabilities pursuant to set-off provisions	**(193,604)**	**15,648**	**177,956**
At 31 December 2018	**539,127**	**(770,001)**	**(1,675,270)**

28 Dividend

The Board of Directors of the Company proposed a final dividend of HK$0.365 per ordinary share out of the share premium account, totaling approximately HK$584,460,000 (equivalent to approximately RMB512,104,000). Such dividend is to be approved by the shareholders at the annual general meeting("AGM") on 5 June 2019. These financial statements do not reflect this dividend payable as a liability as at 31 December 2018 (2017: none).

29 Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables (Note (a))	**8,423,760**	7,007,075
Notes payable	**1,064,455**	592,778
Other payables:		
— Amounts due to minority interests	**11,913,987**	8,659,701
— Deposits received for sales of properties	**662,059**	2,047,107
— Other taxes payable	**3,496,506**	928,904
— Interests payable	**776,048**	635,312
— Deposits from contractors and suppliers	**399,443**	374,096
— Accrued payroll	**242,805**	159,677
— Others	**1,359,539**	1,189,938
	28,338,602	21,594,588

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**6,470,999**	5,017,284
Over one year	**1,952,761**	1,989,791
	8,423,760	7,007,075

(b) Trade and other payables were unsecured, interest-free, repayable on demand and denominated in RMB.

(c) The carrying amounts of trade and other payables were considered to be the same as their fair values.

30 Cash flow information

(a) Net cash used in operating activities

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**6,657,648**	4,989,739
Adjustments for:		
— Depreciation charges	**113,397**	67,030
— Finance cost/(income) – net	**291,880**	(223,031)
— Amortisation of intangible assets and land use rights	**17,792**	7,746
— Gains from disposal of property, plant and equipment	**(282)**	(1,849)
— Fair value gains on investment properties	**(336,643)**	(1,108,095)
— Fair value gains on remeasurement of joint ventures	**(5,478)**	—
— Share of net profits of investments accounted for using the equity method	**(902,681)**	(283,100)
— Fair value gains on FVPL	**(59,461)**	—
Changes in working capital:		
— Properties under development and completed properties held for sale	**(17,357,016)**	(34,765,407)
— Contract assets	**(389,769)**	—
— Trade and other receivables	**239,139**	(3,348,218)
— Prepayments	**4,512,197**	14,545,937
— Contract liabilities (2017: Pre-sale proceeds received from customers)	**22,718,824**	3,513,389
— Trade and other payables	**5,248,519**	8,367,042
— Restricted cash	**(547,732)**	(220,710)
Cash generated from/(used in) operations	**20,200,334**	(8,459,527)

30 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 January 2018 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2018 RMB'000
Borrowings	**69,453,610**	**(7,349,266)**	**428,490**	**62,532,834**
Amounts due to related parties	**1,338,971**	**4,037,751**	**–**	**5,376,722**
	70,792,581	**(3,311,515)**	**428,490**	**67,909,556**

	1 January 2017 RMB'000	Financing cash flow – net RMB'000	Business combination RMB'000	Non-cash items RMB'000	31 December 2017 RMB'000
Borrowings	39,417,264	26,525,092	3,739,000	(227,746)	69,453,610
Amounts due to related parties	1,464,170	(252,590)	127,391	–	1,338,971
	40,881,434	26,272,502	3,866,391	(227,746)	70,792,581

31 Financial guarantee

	As at 31 December 2018 RMB'000	2017 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	**29,066,196**	20,646,169
Guarantee provided for the borrowings of the joint ventures (Note (b))	**3,000,000**	2,057,910
	32,066,196	22,704,079

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of loss of the Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided by the Group.

32 Commitments

(a) Commitments for property development expenditures and equity investments as at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for		
— Property development activities	**15,644,616**	10,019,267
— Land use rights	**170,513**	7,550,424
— Equity investment	**355,185**	151,033
	16,170,314	17,720,724

(b) Operating leases commitments — the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
— Not later than one year	**34,005**	28,107
— Later than one year and not later than five years	**23,972**	21,848
	57,977	49,955

33 Assets pledged as security

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,271,614**	1,369,186
Land use rights	**439,352**	454,168
Investment properties	**5,661,872**	5,702,000
Total non-current assets pledged as security	**7,372,838**	7,525,354
Current assets		
Properties under development and completed properties held for sale	**38,821,044**	59,807,747
Restricted cash	**1,075,706**	1,358,816
Total current assets pledged as security	**39,896,750**	61,166,563
Total assets pledged as security	**47,269,588**	68,691,917

All of above assets of the Group are pledged as security for the borrowings from financial institutions of the Group (Note 26(a)).

Investments amounting to RMB6,014,566,000 (2017: RMB1,130,109,000) in certain subsidiaries directly or indirectly held by the Company were pledged as security for borrowing of the Group at 31 December 2018.

34 Significant related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest As at 31 December 2018	2017
Dingxin	Immediate parent company of the Company	BVI	**64.47%**	67.84%
TMF (Cayman) Limited	Ultimate parent entity and controlling party	the Cayman Island	**64.47%**	67.84%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 10(a).

(c) Major related parties that had significant transactions during the year with the Group are as follows:

Related parties	Relationship with the Group
Mr. Ou	Controlling Shareholder and director of the Company
Rongxin Shiou Property Management Group Limited. 融信世歐物業服務集團有限公司	A company controlled by the Controlling Shareholder
Fujian Rongxin Property Management Co., Ltd. 融信(福建)物業管理有限公司	A company controlled by the Controlling Shareholder
Xiuyi (Fujian) Landscape Engineering Co., Ltd. 秀藝(福建)園林工程有限公司	A company controlled by the Controlling Shareholder
Fuzhou Yubaichuan Real Estate Development Co., Ltd. 福州裕百川房地產開發有限公司	Joint venture

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hairong (Zhangzhou) Property Co., Ltd. 海融(漳州)房地產有限公司	Joint venture
Hangzhou Zhongxu Property Co., Ltd. 杭州眾旭置業有限公司	Joint venture
Hangzhou Xinchen Property Co., Ltd. 杭州信辰置業有限公司	Joint venture
Jinhua Ruiying Real Estate Co.,Ltd. 金華市瑞盈房地產有限公司	Joint venture
Nanjing Huihe Property Co.,Ltd. 南京薈合置業有限公司	Joint venture
Nanjing Kaijingsheng Property Development Co.,Ltd. 南京愷璟晟房地產開發有限公司	Joint venture
Nanjing Taiyi Hexin Management Consultancy Co.,Ltd. 南京泰熠和信企業管理諮詢有限公司	Joint venture
Hangzhou Ronghao Property Co.,Ltd. 杭州融浩置業有限公司	Joint venture
Hefei Hailiang Property Co., Ltd. 合肥海亮置業有限公司	Joint venture
Ningbo Fenghua hedu Real Estate Development Co.,Ltd. 寧波奉化和都房地產開發有限公司	Joint venture
Hangzhou Rongxuan Real Estate Development Co.,Ltd. 杭州融晅房地產開發有限公司	Joint venture
Qidong Bilian Property Co.,Ltd. 啟東碧聯置業有限公司	Joint venture
Zhengzhou Rongxin Langyue Property Co.,Ltd. 鄭州融信朗悅置業有限公司	Joint venture
Zhoushan Kairong Real Estate Development Co.,Ltd. 舟山愷融房地產開發有限公司	Joint venture
Zhengzhou Langu Management Consultancy Co.,Ltd. 鄭州藍穀企業管理諮詢有限公司	Joint venture

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Fuyang Shangjun Real Estate Co.,Ltd. 阜陽上郡房地產有限公司	Joint venture
Fuzhou Hongbailong Real Estate Development Co.,Ltd. 福州泓百隆房地產開發有限公司	Joint venture
Cixi City Jingui Property Co.,Ltd. 慈溪市金桂置業有限公司	Joint venture
Fujian Rongdaxin Investment Co.,Ltd. 福建融達信投資有限公司	Joint venture
Anji Rongshang Real Estate Co.,Ltd. 安吉融尚房地產有限公司	Joint venture
Dongtai City Xinbi Real Estate Development Co.,Ltd. 東台市新碧房地產開發有限公司	Joint venture
Hangzhou Jinyang Industrial Co.,Ltd. 杭州瑾揚實業有限公司	Joint venture
Fuzhou Liboshuntai Property Development Co., Ltd. 福州利博順泰房地產開發有限公司	Joint venture
Bengbu City Bicheng Real Estate Development Co., Ltd. 蚌埠市碧誠房地產開發有限公司	Joint venture
Fujian Rongteng Property Co., Ltd. 福建融騰置業有限公司	Joint venture
Fuyang Greenland Property Co., Ltd. 阜陽綠地置業有限公司	Joint venture
Hangzhou Wanjing Property Co.,Ltd. 杭州萬璟置業有限公司	Joint venture
Hangzhou Lvcheng Wangxi Real Estate Development Co.,Ltd. 杭州綠城望溪房地產開發有限公司	Associate
Shaanxi Hai He Real Estate development Co., Ltd. 陝西海和房地產開發有限公司	Associate
Yinchuan Shihai Real Estate Co., Ltd. 銀川世海房地產有限公司	Associate

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Yinchuan Hai Mao Real Estate Co., Ltd. 銀川海茂房地產有限公司	Associate
Shaanxi Shengshi Haihong Real Estate development Co., Ltd. 陝西盛世海宏房地產開發有限公司	Associate
Hangzhou Rongxin Real Estate development Co., Ltd. 杭州融歆房地產開發有限公司	Associate
Hangzhou Dexin Shushan Property Co., Ltd. 杭州德信蜀山置業有限公司	Associate
Zhenjiang Yiteng Real Estate development Co., Ltd. 鎮江億騰房地產開發有限公司	Associate
Fuzhou City Wanxi Real Estate Co., Ltd. 福州市萬曦房地產有限公司	Associate
Fujian Fengrong Property Co., Ltd. 福建豐融置業有限公司	Associate
Fujian Rongyao Property Co., Ltd. 福建融耀置業有限公司	Associate
Hangzhou Junan Real Estate development Co., Ltd. 杭州鈞安房地產開發有限公司	Associate
Zhangzhou City Wankebinjiang Property Co.,Ltd. 漳州市萬科濱江置業有限公司	Associate

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or were available.

34 Significant related party transactions (continued)

(d) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8(a) is set out below.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Key management compensation:		
— Salaries and other employee benefits	**3,551**	1,484
— Pension costs	**103**	47
— Value of employee services under share option scheme	**3,058**	4,222
	6,712	5,753

(e) Transactions with related parties

Save as disclosed elsewhere in these consolidated financial statement, during the year ended 31 December 2018, the Group had the following significant transactions which provided by related parties.

Services provided by related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Property management services	**134,820**	54,170
Landscape engineering services	**119,436**	—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

Refer to Note 31 and Note 26(a) for information on guarantee provided for the borrowings of the joint ventures by the Group and the information on guarantee provided by Mr. Ou for the borrowings of the Group, respectively.

34 Related party transactions (continued)

(f) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties		
— Joint ventures	**7,858,014**	3,628,985
— Associates	**501,532**	342,805
	8,359,546	3,971,790
Amounts due to related parties		
— Joint ventures	**3,646,941**	933,569
— Associates	**1,055,576**	300,412
— Other related parties	**775,595**	120,843
— Mr. Ou	**674,205**	104,990
— Rongxin Shiou Property Management Group Limited	**59,757**	15,853
— Xiuyi (Fujian) Landscape Engineering Co., Ltd.	**41,633**	—
	5,478,112	1,354,824

Amounts due from related parties were mainly represented the cash advances made to related parties which are unsecured, interest-free, repayable on demand and denominated in RMB.

Amounts due to Rongxin Shiou Property Management Group Limited (formally known as Fujian Shiou Property Management Company Limited), represented mainly the payables of property management fees which were unsecured, interest-free, and to be settled according to agreed terms and were denominated in RMB.

Amounts due to Xiuyi (Fujian) Landscape Engineering Co., Ltd. represented mainly the payables of landscape engineering services fee which were unsecured, interest-free, and to be settled according to agreed terms and were denominated in RMB.

Other amounts due to related parties mainly represented cash advances from related parties which were unsecured, interest-free, repayable on demand and denominated in RMB.

35 Subsequent event

On 15 March 2019, a subsidiary of the Group entered into an agreement to fully dispose of its equity interest, representing 50% equity interest, in Shanghai Kaitai, a joint venture of the Group, to the joint venture partner of Shanghai Kaitai at a consideration of RMB1,005 million. Shanghai Kaitai has completed the development of its real estate project and distributed the profit to its respective shareholders before the disposal. The consideration was determined in accordance with the appraised net assets value of Shanghai Kaitai as of 31 January 2019. The transaction is expected to be completed by the end of March 2019.

36 Balance sheet of the Company

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in a subsidiary	**2,016,724**	1,993,141
Financial assets at fair value through profit or loss	**649,860**	—
	2,666,584	1,993,141
Current assets		
Prepayments and other receivables	**208**	1,296
Amounts due from subsidiaries	**7,679,814**	6,654,600
Amounts due from a related party	**637,433**	—
Cash and bank balances	**30,610**	49,585
Total current assets	**8,348,065**	6,705,481
Total assets	**11,014,649**	8,698,622
EQUITY		
Equity attributable to owners of the Company		
Share capital	**14**	13
Share premium	**4,423,556**	3,506,038
Other reserves	**(1,363,382)**	(169,894)
Total equity	**3,060,188**	3,336,157

36 Balance sheet of the Company (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	**5,286,770**	197,013
Current liabilities		
Borrowings	**2,393,994**	5,114,757
Other payables	**257,259**	50,695
Amounts due to related parties	**16,438**	—
Total current liabilities	**2,667,691**	5,165,452
Total liabilities	**7,954,461**	5,362,465
Total equity and liabilities	**11,014,649**	8,698,622

Other reserve of the Company included share-based compensation reserve and accumulated losses. During the year, the change in share-based compensation reserve represents mainly the value of employee services under the share option scheme amounting to RMB23,583,000 (2017: RMB53,868,000), the change in accumulated losses represents mainly the loss of the Company amounting to RMB1,184,691,000 (2017: RMB223,477,000).

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf:

Ou Zonghong **Zeng Feiyan**

Five Years' Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**34,366,500**	30,341,404	11,371,663	7,414,576	4,099,230
Profit for the year attributable to owners of the Company	**2,149,660**	1,679,521	1,292,339	1,432,813	506,507

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**22,975,326**	19,847,681	9,491,656	4,059,405	3,459,744
Current assets	**180,468,552**	150,348,594	89,415,260	30,737,465	28,075,017
Total assets	**203,443,878**	170,196,275	98,906,916	34,796,870	31,534,761
Non-current liabilities	**40,155,088**	50,651,391	33,163,277	6,926,063	10,999,600
Current liabilities	**127,670,432**	88,783,831	42,654,317	22,798,075	19,506,115
Total liabilities	**167,825,520**	139,435,222	75,817,594	29,724,138	30,505,715
Total equity	**35,618,358**	30,761,053	23,089,322	5,072,732	1,029,046
Total equity attributable to shareholders of the Company	**12,754,828**	10,224,277	7,470,518	4,302,522	1,020,877