建發國際投資集團有限公司
C&D International Investment Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code:1908

2018
ANNUAL REPORT

房地產開發及房地產產業鏈綜合投資服務商
Real estate development and real estate industry chain investment services

CONTENTS

This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHUANG Yuekai *(Chairman)*
Mr. SHI Zhen (resigned on 21 March 2019)
Ms. ZHAO Chengmin
Mr. LIN Weiguo *(Chief Executive Officer)*
(appointed on 21 March 2019)

Non-executive Directors

Ms. WANG Xianrong (resigned on 21 March 2019)
Ms. WU Xiaomin
Mr. HUANG Wenzhou
Ms. YE Yanliu (appointed on 21 March 2019)

Independent Non-executive Directors

Mr. WONG Chi Wai
Mr. WONG Tat Yan Paul
Mr. CHAN Chun Yee

COMPANY SECRETARY

Miss LEUNG Ching Ching

AUDIT COMMITTEE

Mr. WONG Chi Wai *(Committee Chairman)*
Mr. WONG Tat Yan Paul
Mr. CHAN Chun Yee

REMUNERATION COMMITTEE

Mr. WONG Tat Yan Paul *(Committee Chairman)*
Mr. ZHUANG Yuekai
Mr. WONG Chi Wai
Mr. CHAN Chun Yee

NOMINATION COMMITTEE

Mr. ZHUANG Yuekai *(Committee Chairman)*
Mr. CHAN Chun Yee
Mr. WONG Chi Wai
Mr. WONG Tat Yan Paul

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

Bank of China

REGISTERED OFFICE

P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 3517
35th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Tricor Services (Cayman Islands) Limited
P.O.Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

STOCK CODE

1908

COMPANY'S WEBSITE

www.cndintl.com
(the contents of which do not form part of this annual report)

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of C&D International Investment Group Limited ("C&D International Group" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2018 (the "Year").

I. ANALYSIS ON ECONOMIC LANDSCAPE

The robust rebound of global economic growth experienced in 2017 did not continue in 2018. Few economies such as the United States managed to accelerate its growth and had been exempted from the global plunge in economic growth. Meanwhile, the world economy was disturbed by trade wars initiated by the United States and constant geo-political conflicts. China's economy was "generally stable with steady growth". The implementation of supply-side structural reform has been further deepened and while China intensified its efforts on the "Open-door" policy, both domestic and overseas uncertainties increased the pressure on the downward economic growth.

In 2018, under the guiding policy of "no speculation of residential properties", "implementation customised for city", China's directives on real estate industry changed from "to curb the market" to "to stabilize the market". Sales of commodity properties and land transactions declined during the Year as the market's expectation became more rational.

In order to make proactive responses to the macro-economic landscape as well as the opportunities and challenges brought by the changes in policies on real estate industry, the Company has positioned itself as "an integrated service provider in real estate development and real estate industrial chain investment services" and fully leveraged its strength as a state-owned enterprise in further enhancing its business scale as well as the competitiveness of its products. In 2018, the Company continued to enjoy rapid and solid growth as both of its asset size and profitability experienced significant growth.

II. RESULTS AND DIVIDENDS

During the Year, the Group's various production and operation indicators achieved another historical high, as evidenced by revenue of approximately RMB12.371 billion (2017 (restated): approximately RMB4.779 billion), representing a year-on-year increase of approximately 158.88%; the profit for the year attributable to the equity holders of the Company of approximately RMB1.420 billion (2017 (restated): approximately RMB528 million), representing a year-on-year increase of approximately 169.12%.

The board of directors (the "Board") of the Company has proposed to declare a final dividend of HK$1.20 per share in respect of the Year, subject to the approval of the forthcoming annual general meeting of the Company (the "AGM").

III. BUSINESS REVIEW

By focusing on priorities of "market expansion, business upscale, brand refining and effectiveness enhancement", the Company has ambitiously elevated the business scale and profitability of C&D International Group as well as rapidly consolidated its impetus and core competitiveness in 2018. As at the end of the Year, the total assets of the Company amounted to approximately RMB62.775 billion, representing an increase of approximately 84.51%, as compared to approximately RMB34.022 billion in the end of 2017 (restated).

(1) Expediting its enhancement and consolidation on real estate development business and taking proactive actions in market expansion

As ever, the Company intensified its efforts in venturing into real estate development business and leveraged its own privileges in identifying targeted assets in 2018. Likewise, the Company also participated in promising real estate development projects by various ways such as adopting bidding, auction and quotation in land sales, acquiring related assets and jointly cooperating in projects.

In 2018, the Company has successively established its market presence in cities such as Wuhan, Guangzhou, Shenzhen, Zhuhai, Putian and beyond by investing in 31 real estate development projects. The Company, meanwhile, has cultivated a transregional, multi-layering and multi-way differentiated business layouts in existing markets such as Fujian, East China and Central China with an aim to lay a cornerstone for a real and rapid business growth ahead.

In 2018, the Group, together with its joint ventures and associates, achieved a total contracted sales amount of approximately RMB24.79 billion with a total contracted sales gross floor area of approximately 1,641,700 sq.m., representing an increase of approximately 145.16% and approximately 166.73%, respectively. The average selling price is about RMB15,100 per square meter.

As of 31 December 2018, the Company has invested a total of 48 real estate development projects which extending over regions including Fujian, East China, Central China and South China, with a land reserve (as measured by the aggregate saleable gross floor area) amounting to approximately 5,570,000 sq.m..

Studiously as always, the Company has focused on "high-end improvement projects" and sees its quality of products and services as where its core competitiveness lays upon. When it comes to product design, the Company brought four traditional Chinese artisan concept in all product lines and accordingly forging an innovated Chinese style design such as "Confucius door design, Taoist temple design, Tang Dynasty architectural style and Chinese decorative patterns" (儒門、道園、唐風、華紋) and developed a product line called "1+3" that comprised the architectural styles of "the essence, the city, the visionary, the nature" (精粹系、城央系、遠見系、自然系). The Company therefore developed different Chinese-style benchmarking projects in different places such as Suzhou, Changsha and Xiamen which were awarded numerous industry awards. To name a few, "Jianfa • Dushuwan (formerly Dushuwan)"* (建發 • 獨墅灣(原獨墅灣)) in Suzhou and "Jianfa • Yangzhu (formerly Yangzhu)"* (建發 • 央著(原央著)) in Changsha won the 2018 "Kinpan Awards"; "Jianfa • Shanwaishan (formerly Shanwaishan)"* (建發 • 山外山(原山外山)) won the "Real Estate Design Award". When it comes to quality, the Company has a set of internal control standards that are much stricter than the national and industrial ones. Therefore, according to the customer satisfaction survey results issued by third-party authority, the Company has been recognized nationwide as one of the benchmarks for years, and ranked second in the latest customer satisfaction survey results conducted in 2018.

(2) Expediting the external expansion of its businesses along the industrial chains and enjoyed fruitful results from diversification

1. Exploring into property management business: In 2018, Xiamen C&D Property Management Service Company Limited* (廈門建發物業管理服務有限公司) ("C&D Property"), an indirect wholly-owned subsidiary of the Company, successfully acquired the entire equity interests of two top-notch property management enterprises, namely Yijiayuan (Xiamen) Property Management Company Limited* (怡家園（廈門）物業管理有限公司) ("Yijiayuan") and Huijia (Xiamen) Property Management Company Limited* (匯嘉（廈門）物業管理有限公司) ("Huajia"), marking the Company's successful entry into the property management field and adding a critical segment to Company's comprehensive real estate industry chain service system.

   In 2018, C&D Property became a standing council unit in China Property Management Institute, and was honoured with the titles of "2018 Top 100 Enterprises in China Property Service"(2018 中國物業服務百强企業) and "Highest 2018 Comprehensive Strength Evaluation on TOP 30 Enterprises in Property Development Industry in Xiamen" ("2018 廈門物業行業企業綜合實力評價TOP30第一名"), which significantly uplifted the overall service quality and revenues from value-added businesses. C&D Property has expanded into an unprecedented scale in terms of property projects, and has fully digitalized its information on revenue, creating a smart property management platform. C&D Property currently serves the whole life cycle in a real estate project and makes sure that the high standard service can be provided to secure the quality of residence of their clients.

   As of 31 December 2018, the Company has contracted area for property management of nearly 30 million sq.m.. In 2018, the property management segment realized a total operating income of approximately RMB524 million, realizing a profit of approximately RMB37 million.

2. Remarkable results in Light-asset operation in businesses: As of 31 December 2018, the commercial assets managed by Company in Nanning and Shanghai reached 20,547 sq.m. and 97,933 sq.m., respectively. The business has enjoyed prosper growth with an overall occupancy rate reaching 86%. In 2018, commercial asset management segment achieved a total profit of approximately RMB59 million.

   In 2018, the Company has undertaken a total of 17 project operation and management (entrusted construction) projects. Project operation and management (entrusted construction) segment contributed a profit of approximately RMB107 million.

(3) Promoting investment in emerging industries and take proactive actions in fostering new "momentum" for further business growth

The Company has paid close attention to and timely engaged itself in investment opportunities arising from various emerging industries such as "Healthcare and Elderly Services". In 2018, the Company has successfully won the bid for the rights of operation of a large-scale elderly service centre in Xiamen, which accommodates nearly 700 beds. The Company has set up a joint venture with Shanghai Bairen Health Industry Company Limited* (上海佰仁健康產業有限公司) for the operation of the centre. In line with its core philosophy of "integrated services on medical treatment and nursing", the centre is anticipated to be developed into a comprehensive elderly service provider for middle-to-high-end customers, providing integrated services in health management, daytime care and home care, while specializing in nursing service.

(4) Flexible use of financing instruments to optimize the Company's capital structure

In 2018, along with the rapid and quality development of the Company, the financing scale of the Company has been enhanced, and the financing channels have been further expanded, which further effectively optimized its debt structure.

By the end of 2018, the balance of interest-bearing loans of the Company was approximately RMB30.218 billion with an average interest rate of approximately 5.72% per annum. The Company enjoyed advantages in capital costs. Gearing ratio (total borrowings divided by total equity) was approximately 284.96%. Liability to asset ratio (total liabilities divided by total assets) was approximately 83.11%, representing a decrease by 1.36% as compared to approximately 84.47% as recorded in the end of 2017 (not restated).

IV. FUTURE DEVELOPMENT PROSPECT

In 2019, while focusing on its business position as "integrated service provider in real estate development and real estate industrial chain investment services", the Company will accelerate its expansion on business scale, create high-quality products, and increase the profitability of its innovation projects. Meanwhile, the Company will continue to strive for sustainable and rapid real growth for its real estate development business. In addition to consolidating its business foundation in respect of the real estate industry chain and expanding its presence in the industrial chain, the Company will also leverage the synergies among different industries and venture into various emerging industries including elderly service and medical care.

(1) Real Estate Development Business: Accelerating its real expansion and concentrating on lifting up its brand value

When it comes to geographical layout, the Company will cultivate it presence in major cities in southern China while enlarging its business coverage and improving its market share with a hope to create an economy of scale over the regions. In the meantime, the Company will also improve its ability in delivering a more accurate prediction and investing in a more precise manner. Besides, the Company will put more attention on analysis on different regions and cities and accordingly identify cities that enjoy population growth with promising business potentials, which eventually optimizes the structure of our land bank.

When it comes to product positioning, the Company will specialize on providing handpicked products with "new Chinese style" and top-notch property management services with an aim to satisfying needs on service upgrade by developing two-pronged strategies, i.e. "Products+Services". Riding on its strength in product research and development and value-added property-related services, the Company is endeavored to build up a well-recognized branding and create more value for its brand.

When it comes to investment strategies, the Company will stick to its proactive and sound investment strategies and carefully select investment projects with an aim to effectively control inherited operational risks of such investment projects to ensure that promising investment can be anticipated. The Company strives to expand itself only when it enjoys a safe and sound capital structure, and provide room for the sustainable and rapid real growth for real estate business.

(2) Industrial Chain Business: Exceling itself both internally and externally and enhancing its scale and effectiveness

1. Property Management Business: The Company will keep consolidating its basic property services on one hand while trying a variety of market expansion on the other hand. The Company will expand its property management area, and enhance its market share in property management field. Apart from learning from enterprises that are regarded as role model industry-wide, the Company will put more efforts on optimizing management models, task allocation and delegation, with an aim to elevate its operational efficiency. In addition, the Company will intensify its control on safety management, enhance its internal management and promote the use of digital systems by way of continuous upgrading of "Smart Property, Smart Building, Smart Community" services.

2. Light-asset operation and management business: The Company will continue to optimize and enhance its efficiency of commercial asset management as ever and keep its focus on branding and business upgrades. Meanwhile, the Company is building up a platform for customer experience that integrates both online and offline environment, and exploring and implementing a new model of commercial asset management called "asset acquisition + operational upgrade + sale-and-quit".

At the same time, the Company will intensify its efforts in optimizing its entrusted construction business and control the quality of the entrusted construction business to make sure that a reliable and top-level brand in entrusted construction business can be delivered. On the other hand, the Company will seek for more entrusted construction projects in order to enhance both income and profit from the entrusted construction business.

(3) Investment in emerging industries: Capturing the optimal time for investment and fostering next growth driver

In 2019, the Company, as always, keeps abreast of the investment opportunities of emerging industries that have promising future and investment potentials. The Company has identified and will capture the optimal time to invest in projects in healthcare and high-end education, with an attempt to develop those into the Company's next business growth driver.

(4) Investor relations: Promoting more interactive communication and carefully selecting its strategic partners

In 2019, the Company will put more efforts in advertising its business position as well as core competitiveness and promote its brand through multiple channels in multiple dimensions with various methods. The Company also intends to build up a more refined image in the industry by consolidating its communication and interaction with the capital market.

The Company will expand its share capital as and when appropriate after considering market conditions and its operations. The Company may also welcome strong strategic partners with recognition in the market who concur with our brand idea and development strategies and are interested to take part in or assist the Company in promoting its main business and utilizing its capital, which eventually attain synergies and win-win situation for both parties.

In view of the above, in 2019, the Company will continue to focus on building up its own brand and give full play to its strength in "products, capital and branding" to accelerate its pursuit for the sustainable and rapid real growth for its real estate development business and refined its value driver, i.e. "Products + Services". Taking proactive actions in interacting with the capital market, the Company is endeavored to bring in a sustainable quality growth in value that is widely recognized and continues to create value for its shareholders, customers, employees and the society and to contribute to society's harmony.

APPRECIATION

The continuous development of the Company's business in future will depend on the trust and support from all shareholders, investors and business partners, as well as the dedication and diligence of the entire staff, I would like to express my gratitude on behalf of the Board.

C&D International Investment Group Limited
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 20 March 2019

BUSINESS REVIEW

The Group is principally engaged in the business of property development, real estate industrial chain investment services and emerging industry investment. During the Year, the main source of revenue for the Company was sales of properties.

During the Year, revenue of the Group was approximately RMB12.37142 billion, representing a year-on-year increase by approximately RMB7.59257 billion as compared with the previous financial year (restated). Gross profit was approximately RMB4.11516 billion, representing a year-on-year increase by approximately RMB2.52444 billion as compared with the previous financial year (restated). Profit for the Year increased by approximately RMB974.85 million year-on-year to approximately RMB1.57790 billion in the Year as compared with the previous financial year (restated). Profit attributable to the owners of the Company increased by approximately RMB892.64 million year-on-year to approximately RMB1.42045 billion in the Year as compared with previous financial year (restated) and by approximately RMB1.09103 billion year-on-year as compared with the previous financial year (not restated).

Property Development Business

Sales of Properties in 2018

In the Year, the Group's revenue from sales of properties was approximately RMB11.51694 billion, representing a year-on-year increase by approximately RMB7.37354 billion as compared with the previous financial year (restated) and accounting for 93.10% of the Group's total revenue. For the year ended 31 December 2018, the gross floor area ("GFA") of delivered properties was approximately 800,300 sq.m., representing an increase by approximately 538,200 sq.m. as compared with the previous financial year (restated).

During the Year, the Group's earlier strategic layouts have won initial success. Following the delivery of a series of projects in 2018, the Group's source of revenue from sales of properties has diversified. Riding on the Group's hard work for a number of years in the regions, the Group has been recognized as an excellent brand in both Fujian and East China and gained a leading position in terms of the sales of properties. During the Year, revenue from sales of properties recognized in Fujian and East China contributed approximately 55.03% and 41.37% of the total revenue from sales of properties respectively.

In the future, given that the delivery for the properties sold in various cities will successively complete, the Group's revenue from sales of properties will continue to increase and it is expected that the sales of properties will remain to be the Group's major source of income in the future.

The amount and GFA of each project recognized for sales in the Year are set out in the following table:

Name of Projects	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Bihushuangxi (formerly Bihushuangxi)* (建發•碧湖雙璽(原碧湖雙璽))	Zhangzhou	308,924	171,182	18,047
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣(原獨墅灣))	Suzhou	248,653	124,963	19,898
Jianfa•Yangyu* (建發•泱譽)	Suzhou	149,369	57,165	26,129
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Suzhou	5,614	18,022	3,115
Jianfa•Lingjun* (建發•領郡)	Lianjiang	155,542	140,560	11,066
Jianfa•Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Zhangjiagang	72,857	47,347	15,388
Jianfa•Shanwaishan (formerly Shanwaishan)* (建發•山外山(原山外山))	Changtai	64,580	50,090	12,893
Jianfa•Yuecheng* (建發•悦城)	Jian'ou	54,430	99,829	5,452
Jianfa•Zhongyang Tiancheng (formerly Zhongyang Tiancheng)* (建發•中泱天成(原中泱天成))	Quanzhou	50,339	45,861	10,976
Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悦府(原中央悦府))	Changsha	40,798	43,669	9,343
Fond England* (裕豐英倫)	Nanning	413	923	4,475
Li Yuan* (裕豐荔園)	Nanning	175	694	2,522
Total		**1,151,694**	**800,305**	**14,391**

The amount and GFA of each project recognized for sales in 2017 are set out in the following table (restated):

Name of Projects	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣(原獨墅灣))	Suzhou	213,243	100,932	21,127
Jianfa•Zhongyang Tiancheng* (建發•中泱天成) *(Note)*	Suzhou	112,183	88,757	12,639
Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悦府(原中央悦府))	Changsha	86,968	70,400	12,353
Li Yuan* (裕豐荔園)	Nanning	1,765	1,803	9,789
Fond England* (裕豐英倫)	Nanning	181	171	10,585
Total		**414,340**	**262,063**	**15,811**

Note: Restated, business combinations under common control

Contracted Sales in 2018

In the Year, the Group achieved contracted sales of approximately RMB24.79049 billion, representing a year-on-year increase by approximately RMB14.67869 billion as compared with the previous financial year. As of 31 December 2018, the contracted GFA of properties was approximately 1,641,700 sq.m., representing an increase by approximately 1,026,200 sq.m. as compared with the previous financial year.

The Group has launched 20 projects for pre-sale in the Year as compared with the previous financial year.

The amount and GFA of each project contracted for sales in the Year are set out in the following table:

Name of Projects	**City**	**Amount** *(RMB ten thousand)*	**GFA** *(sq.m.)*	**Average selling price** *(RMB/sq.m.)*
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣(原獨墅灣))	Suzhou	369,382	159,708	23,129
Jianfa•Yangyu* (建發•泱譽)	Suzhou	220,184	76,179	28,904
Jianfa•Zhongyang Tiancheng*(建發•中泱天成)	Suzhou	1,188	3,874	3,067
Jianfa•Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Zhangjiagang	300,470	195,327	15,383
Jianfa•Yangyu (formerly Zhangdi Land Parcel No. 2012-A23-A-2)* (建發•泱譽(原張地2012-A23-A-2號地塊))	Zhangjiagang	12,788	6,707	19,067
Jianfa•Tianxi* (建發•天璽)	Zhangjiagang	200,762	138,118	14,536
Jianfa•Yangxi (formerly Zhongyang Shoufu)* (建發•央璽(原中央首府))	Changsha	136,735	90,391	15,127
Jianfa•Yangzhu (formerly Yangzhu)* (建發•央著(原央著))	Changsha	91,579	52,470	17,454
Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悦府(原中央悦府))	Changsha	31,198	34,884	8,943
Jianfa•Xiyuan (formerly Jianfa Xiyuan)* (建發•璽院(原建發璽院))	Longyan	128,332	115,835	11,079
Shangyue House* (尚悦居)	Longyan	97,171	91,789	10,586
Jianfa•Shouyuan* (建發•首院)	Longyan	65,731	54,315	12,102
Jianfa•Lingjun* (建發•領郡)	Lianjiang	105,996	96,520	10,982
Jianfa•Yangzhu (formerly Linghu Garden)* (建發•央著(原領湖花園))	Fuzhou	38,411	67,585	5,683
Jianfa•Xiyuan (formerly Donghu Fushan Yuyuan)* (建發•璽院(原東湖富山御苑))	Lianjiang	7,237	11,014	6,571
Jianfa•Shanwaishan (formerly Shanwaishan)* (建發•山外山(原山外山))	Changtai	88,006	52,529	16,754

Name of Projects	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	83,416	121,989	6,838
Jianfa•Xiyuan* (建發•璽院)	Jian'ou	24,314	30,332	8,016
Guandi* (觀邸)	Shaxian	52,096	71,067	7,331
Jianfa•Jiuliwan (formerly Wuxi Project No. 2016-31)* (建發•玖里灣(原無錫項目2016-31號))	Wuxi	48,851	26,855	18,191
Jianfa•Bihushuangxi (formerly Bihushuangxi)* (建發•碧湖雙璽(原碧湖雙璽))	Zhangzhou	38,259	22,465	17,030
Jianfa•Yangzhu (formerly Land Parcel No. 2017JP03 of Xiamen Jimei Project)* (建發•央著(原廈門集美項目2017JP03地塊))	Xiamen	33,997	9,651	35,226
Jianfa•Xiyuan (formerly Wuyixi Land Parcel)* (建發•璽院(原五一西地塊))	Nanning	24,449	24,844	9,841
Jianfa•Xiyuan (formerly Xiyuan)* (建發•璽院(原璽院))	Zhangzhou	19,505	7,381	26,426
Jianfa•Yangzhu* (建發•央著)	Jianyang	17,990	15,855	11,347
Jianfa•Yangzhu (formerly Taicang Jianjin)* (建發•泱著(原太倉建晉))	Taicang	12,908	6,280	20,554
Jianfa•Zhongyang Tiancheng (formerly Zhangyang Tiancheng)* (建發•中泱天成(原中泱天成))	Quanzhou	12,652	10,762	11,756
Xixi Yunlu* (西溪雲廬)	Hangzhou	214,824	45,404	47,314
Li Yuan* (裕豐荔園)	Nanning	184	694	2,651
Fond England* (裕豐英倫)	Nanning	434	923	4,702
Total		**2,479,049**	**1,641,747**	**15,100**

The amount and GFA of each project contracted for sales in 2017 are set out in the following table:

Name of Projects	City	Amount *(RMB ten thousand)*	GFA *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣(原獨墅灣))	Suzhou	308,445	129,597	23,800
Jianfa•Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Zhangjiagang	146,869	95,999	15,299
Jianfa•Bihushuangxi (formerly Bihushuangxi)* (建發•碧湖雙璽(原碧湖雙璽))	Zhangzhou	243,034	128,479	18,916
Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悅府(原中央悅府))	Changsha	95,239	72,822	13,078
Jianfa•Xiyuan (formerly Jianfa Xiyuan)* (建發•璽院(原建發•璽院))	Longyan	75,217	64,558	11,651
Shangyue House* (尚悅居)	Longyan	26,314	23,471	11,211
Jianfa•Lingjun* (建發•領郡)	Lianjiang	71,252	60,652	11,748
Jianfa•Zhongyang Tiancheng (formerly Zhongyang Tiancheng)* (建發•中泱天成(原中泱天成))	Quanzhou	44,339	39,138	11,329
Li Yuan* (裕豐荔園)	Nanning	313	681	4,596
Fond England* (裕豐英倫)	Nanning	158	102	15,490
Total		**1,011,180**	**615,499**	**16,429**

Land Reserves

As of 31 December 2018, the aggregate saleable GFA of land reserves of the Group was approximately 5,570,000 sq.m., with a total of 48 projects in China and Australia.

The amount of saleable GFA of land reserves in the Year are set out in the following table:

Name of Projects	City	Saleable GFA *(sq.m.)*	Interests held by the Group	Attributable GFA *(sq.m.)*
Jianfa•Yangzhu (formerly Land Parcel No. 2017JP03 of Xiamen Jimei Project)* (建發•央著(原廈門集美項目2017JP03地塊))	Xiamen	72,543	49%	35,546
Jianfa•Yangzhu Phase II (formerly Land Parcel No. 2018JP01 of Xiamen Jimei Project)* (建發•央著二期(原廈門集美專案2018JP01地塊))	Xiamen	121,454	51%	61,942
Jianfa•Xiyue * (建發•璽樾)	Xiamen	153,972	95%	146,273
Jianfa•Shanwaishan (formerly Shanwaishan)* (建發•山外山(原山外山))	Changtai	119,498	94%	112,328
Jianfa•Bihushuangxi (formerly Bihushuangxi)* (建發•碧湖雙璽(原碧湖雙璽))	Zhangzhou	9,994	100%	9,994

Name of Projects	City	Saleable GFA *(sq.m.)*	Interests held by the Group	Attributable GFA *(sq.m.)*
Jianfa•Xiyuan (formerly Xiyuan)* (建發•璽院(原璽院))	Zhangzhou	112,207	100%	112,207
Land Parcel of No. 08 in Bihu, Zhangzhou* (漳州碧湖08地塊)	Zhangzhou	111,551	70%	78,086
Jianfa•Shouyuan* (建發•首院)	Longyan	192,169	100%	192,169
Jianfa•Xiyuan (formerly Jianfa Xiyuan)* (建發•璽院(原建發璽院))	Longyan	60,120	30%	18,036
Shangyue House* (尚悅居)	Longyan	22,710	40%	9,084
Jianfa•Yangzhu (formerly Linghu Garden)* (建發•央著(原領湖花園))	Fuzhou	97,786	51.60%	50,458
Jianfa•Lingjun* (建發•領郡)	Lianjiang	7,560	78%	5,897
Jianfa & Rongqiao•Shanhai Daguan 01, 03, 04 (formerly Land Parcel No. 1, 3, 4 in Pukou, Lianjiang)* (建發&融橋•山海大觀01、03、04(原連江浦口1、3、4號地塊))	Lianjiang	199,969	46.15%	92,286
Jianfa & Rongqiao•Shanhai Daguan 02 (formerly Land Parcel No. 2 in Pukou, Lianjiang)* (建發&融橋•山海大觀02 (原連江浦口2號地塊))	Lianjiang	148,683	55.58%	82,638
Jianfa•Xiyuan (formerly Donghu Fushan Yuyuan)* (建發•璽院(原東湖富山御苑))	Lianjiang	84,261	70%	58,983
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	158,280	75%	118,710
Jianfa•Xiyuan* (建發•璽院)	Jian'ou	141,821	70%	99,275
Jianfa•Yangzhu* (建發•央著)	Jianyang	142,437	70%	99,706
Land Parcel No. 2018-19 in Putian* (莆田2018-19地塊)	Putian	152,745	100%	152,745
Jianfa•Zhongyang Tiancheng (formerly Zhongyang Tiancheng)* (建發•中泱天成(原中泱天成))	Quanzhou	10,311	40%	4,124
Guandi* (觀邸)	Shaxian	39,798	51%	20,297
Wuyi & Jianfa•Shanwaishan* (武夷&建發•山外山)	Wuyishan	95,143	50%	47,571
Jianfa•Yangyu (formerly Lishui No. G19)* (建發•央譽(原溧水 G19))	Nanjing	157,660	40%	63,064
Jianfa•Guobinfu (formerly Nanjing Project No. 2017–G55)* (建發•國賓府(原南京項目 2017-G55號))	Nanjing	74,325	50%	37,162
Jianfa•Yangyu* (建發•泱譽)	Suzhou	131,310	100%	131,310
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣 (原獨墅灣))	Suzhou	102,390	97.50%	99,830
Jianfa & Yangguangcheng•Puyue (formerly Land Parcel No. 2017-79 of Suzhou Project in Xiangcheng)* (建發&陽光城•璞悅 (原蘇州項目相城地塊2017-79))	Suzhou	47,097	55%	25,903
Jianfa•Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Zhangjiagang	161,497	70%	113,048

Name of Projects	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Jianfa•Yangyu (formerly Zhangdi Land Parcel No. 2012-A23-A-2)* (建發•泱譽(原張地2012-A23-A-2號地塊))	Zhangjiagang	144,136	100%	144,136
Tianxi* (天璽)	Zhangjiagang	2,055	25%	514
Jianfa•Yangyu (formerly Taicang Jianjin)* (建發•泱譽(原太倉建晉))	Taicang	93,608	100%	93,608
Jianfa•Yangzhu (formerly Taicang Jianjin)* (建發•泱著(原太倉建晉))	Taicang	124,338	100%	124,338
Duhuizhiguang (formerly Taicang Land Parcel No. WG 2017-19-1) * (都會之光(原太倉WG 2017-19-1號地塊))	Taicang	121,351	30%	36,405
Jianfa•Jiuliwan (formerly Wuxi Project No. 2016-31)* (建發•玖里灣(原無錫項目2016-31號))	Wuxi	412,601	100%	412,601
Jianfa•Yangzhu (formerly Yangzhu)* (建發•央著(原央著))	Changsha	339,110	100%	339,110
Jianfa•Yangxi (formerly Zhongyang Shoufu)* (建發•央璽(原中央首府))	Changsha	66,333	100%	66,333
Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悦府(原中央悦府))	Changsha	2,701	100%	2,701
Jianfa & Jinmao•Xiyue (formerly Land Parcel No. 2018P66 in Wuhan)* (建發&金茂•璽悦(原武漢2018P66地塊))	Wuhan	259,523	51%	132,357
Jianfa•Xiyuan (formerly Land Parcel No. 168 in Wuhan)* (建發•璽院(原武漢168號地塊))	Wuhan	149,359	49%	73,186
Jianfa & Jiulongcang Yangxi (formerly Land Parcel No. 444 in Shitan Road)* (建發&九龍倉•央璽(原石潭路444號地塊))	Guangzhou	183,178	64%	117,234
Jianfa•Jingyuexuan (建發•璟悦軒)	Shenzhen	35,063	51%	17,882
Yangyun Jingshe (formerly Qinglong Project)* (養雲靜舍(原慶隆項目))	Hangzhou	44,520	40.18%	17,888
Xixi Yunlu* (西溪雲廬)	Hangzhou	15,988	10.5%	1,679
Jianfa•Xiyuan (formerly Land Reserve No. 2017-73 of Land and Reserve Bureau of Zhuhai)* (建發•璽院(原珠國土儲2017-73))	Zhuhai	80,864	100%	80,864
Jianfa•Xiyuan* (建發•璽園)	Zhuhai	56,176	51%	28,650
Jianfa•Xiyuan (formerly Wuyixi Land Parcel)* (建發•璽院(原五一西地塊))	Nanning	71,379	51%	36,403
City of Sky* (天空之城)	Fuzhou	428,440	16.5%	70,693
Australia Project	Sydney	7,663	60%	4,598
Total		**5,567,677**		**3,879,852**

The amount of saleable GFA of land reserves in 2017 are set out in the following table:

Name of Projects	City	Saleable GFA *(sq.m.)*	Interests held by the Group	Attributable GFA *(sq.m.)*
Jianfa•Jiuliwan (formerly Wuxi Project No. 2016-31)* (建發•玖里灣(原無錫項目2016–31號))	Wuxi	369,241	51%	188,313
Jianfa•Guobinfu (formerly Nanjing Project No. 2017–G55)* (建發•國賓府(原南京項目2017–G55號))	Nanjing	72,028	50%	36,014
Jianfa•Yangzhu (formerly Land Parcel No. 2017JP03 of Xiamen Jimei Project)* (建發•央著(原廈門集美項目2017JP03地塊))	Xiamen	76,620	100%	76,620
Jianfa•Xiyuan (formerly Xiyuan)* (建發•璽院(原璽院))	Zhangzhou	116,253	100%	116,253
Jianfa•Yangxi (formerly Zhongyang Shoufu)*(建發•央璽(原中央首府))	Changsha	158,529	100%	158,529
Australia Project	Sydney	7,663	60%	4,598
Jianfa•Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Zhangjiagang	294,087	70%	205,861
Jianfa•Dushuwan (formerly Dushuwan)* (建發•獨墅灣(原獨墅灣))	Suzhou	151,632	50%	75,816
Jianfa•Xiyuan (formerly Jianfa Xiyuan)* (建發•璽院(原建發璽院))	Longyan	62,590	30%	18,777
Jianfa•Shanwaishan (formerly Shanwaishan)* (建發•山外山(原山外山))	Changtai	63,987	60%	38,392
Total		**1,372,630**		**919,173**

Real Estate Industrial Chain Investment Services

1. *Property Management*

   During the Year, the revenue from property management services amounted to approximately RMB523.82 million (2017 (restated): approximately RMB419.33 million).

   As of 31 December 2018, the property management segment of the Group has provided quality service for more than 106,000 property owners, spanning across 10 provinces and 30 cities in PRC, with contracted management area amounting to nearly 30,000,000 sq.m..

2. *Commercial assets management*

   The revenue from the Group's commercial assets management business during the Year amounted to approximately RMB166.08 million (2017: approximately RMB143.23 million).

   The Group's own leasing properties are mainly located in Xingning District* (興寧區) and Xixiangtang District* (西鄉塘區) of Nanning, and Putuo District* (普陀區) of Shanghai. As of 31 December 2018, the Group's retail units (held for the purpose of leasing to independent third parties) comprised an aggregate rentable GFA of approximately 37,962 sq.m. (31 December 2017: approximately 20,547 sq.m.) in the PRC (including an underground parking area of approximately 3,954 sq.m. used as a temporary parking area (31 December 2017: approximately 3,954 sq.m.)), of which an aggregate GFA of approximately 28,897 sq.m. in the PRC had been leased out (31 December 2017: approximately 19,693 sq.m.).

   The Group's third party leasing properties, leased out through Shanghai C&D Zhaoyu Asset Management Company Limited* (上海建發兆昱資產管理有限公司) are located in Yangpu District* (楊浦區) and Jiading District* (嘉定區), Shanghai. As of 31 December 2018, retail units of the leasing properties comprised an aggregate rentable GFA of approximately 80,518 sq.m. in the PRC (31 December 2017: approximately 82,713 sq.m.), of which an aggregate GFA of approximately 72,557 sq.m. in the PRC had been leased out (31 December 2017: approximately 74,233 sq.m.).

3. *Projects operation and management (entrusted construction services)*

   Revenue from the Group's entrusted construction services during the Year was derived from entrusted construction agreements and management and entrusted construction services by Xiamen C&D Zhaocheng Construction Operation and Management Limited* (廈門建發兆誠建設運營管理有限公司) ("Zhaocheng Construction"), an indirect wholly-owned subsidiary of the Group, amounting to approximately RMB149.01 million (2017: approximately RMB51.71 million).

4. *Informatization services and smart community*

   Revenue from smart construction services during the Year was derived from smart construction services by Xiamen Zhaohui Internet Technology Co., Ltd.* (廈門兆慧網絡科技有限公司), an indirect wholly-owned subsidiary of the Group, amounting to approximately RMB15.57 million (2017: approximately RMB21.17 million).

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue was derived from (i) sales of properties; (ii) property management; (iii) commercial assets management; (iv) projects operation and management (entrusted construction services); and (v) smart construction services.

The following table sets forth the Group's revenue from each of these segments and as a percentage of the total revenue for the relevant financial years:

	2018		2017 (restated)	
	RMB'000	**%**	RMB'000	%
Sales of properties	**11,516,938**	**93.10**	4,143,402	86.71
Property management income	**523,824**	**4.23**	419,333	8.77
Commercial assets management income	**166,082**	**1.34**	143,227	3.00
Entrusted construction services income	**149,005**	**1.20**	51,711	1.08
Smart construction services income	**15,566**	**0.13**	21,173	0.44
Total	**12,371,415**	**100.00**	4,778,846	100.00

Sales of properties increased by about RMB7.37354 billion from approximately RMB4.14340 billion for the year ended 31 December 2017 (restated) to approximately RMB11.51694 billion in the Year. Saleable GFA delivered for the years ended 31 December 2017 and 2018 were approximately 262,100 sq.m. (restated) and approximately 800,300 sq.m., respectively. The revenue derived from the sales of properties for the Year increased due to the significant increase in saleable GFA sold and delivered of seven new projects in the Year.

Cost of Sales

Cost of sales increased by about RMB5.06814 billion from approximately RMB3.18812 billion for the year ended 31 December 2017 (restated) to approximately RMB8.25626 billion for the Year. This result was primarily attributable to the increase in saleable GFA sold and delivered during the Year.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately RMB1.59072 billion (restated) and approximately RMB4.11516 billion for the years ended 31 December 2017 and 2018 respectively, representing a gross profit margin of approximately 33.29% (restated) and 33.26% respectively. The gross profit margin was basically the same as last financial year.

Other Net Gain

Other net gain increased from approximately RMB46.94 million (restated) for the year ended 31 December 2017 to approximately RMB209.88 million for the Year. The increase was mainly due to an increase in interest income in the Year.

Borrowing Costs

Borrowing costs incurred for the construction projects under development were capitalised during the Year. Other borrowing costs were expensed when incurred.

Total borrowing costs increased from approximately RMB689.95 million for the year ended 31 December 2017 (restated) to approximately RMB2.20437 billion for the Year. The increase was mainly due to an increase in capital requirements raised by an increase in property projects.

Gain on Changes in Fair Value of Investment Properties

The gain of changes in fair value of investment properties was approximately RMB5.31 million for the Year and the gain in the previous financial year was approximately RMB9.33 million. The gain reflected the adjustments in the value of investment properties during the Year.

Administrative Expenses

Administrative expenses increased by about RMB104.52 million to approximately RMB151.56 million for the Year from approximately RMB47.04 million for the year ended 31 December 2017 (restated). This was primarily due to the increase in bank handling fees in relation to borrowings and provision for impairment loss on assets during the Year.

Selling Expenses

Selling expenses increased by about RMB257.94 million to approximately RMB595.62 million for the Year from approximately RMB337.68 million for the year ended 31 December 2017 (restated). It was primarily due to an increase in labour cost as a result of an increase in the number of staff and an increase in marketing expenses such as advertising and promotion expenses as a result of an significant increase in the number of sales projects during the Year than the sales of projects in 2017.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately RMB3.08976 billion for the Year, representing an increase of approximately RMB2.01928 billion (approximately 188.63%) from a profit of approximately RMB1.07048 billion in the previous financial year (restated).

Income Tax Expense

Income tax expense increased from approximately RMB467.43 million in the previous financial year (restated) to approximately RMB1.51186 billion for the Year. The increase in income tax was mainly due to an increase in income from property sales during the Year.

Profit for the Year Attributable to the Equity Holders of the Company

The profit attributable to the equity holders of the Company increased by about RMB892.64 million (approximately 169.12%) from approximately RMB527.81 million in the previous financial year (restated) to approximately RMB1.42045 billion for the Year, an increase by RMB1.09103 billion (approximately 331.20%) year-on-year as compared with the previous financial year (not restated).

Liquidity and Financial Resources

The long-term funding and working capital required by the Group were primarily derived from income generated from core business operations, bank borrowings, loans from intermediate holding companies and cash proceeds derived from receipt in advance from the pre-sale of properties, which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed during the Year.

The Group continued to adopt a prudent financing policy and sustain a sound capital structure with healthy cash flow. As at 31 December 2018, the Group's cash at banks and on hand amounted to approximately RMB4.54744 billion (31 December 2017 (restated): approximately RMB1.98520 billion) while total assets and net assets (after deducting non-controlling interests) were approximately RMB62.77495 billion (31 December 2017 (restated): approximately RMB34.02152 billion) and RMB6.09402 billion (31 December 2017 (restated): approximately RMB2.88788 billion) respectively. As at 31 December 2018, the Group's working capital amounted to approximately RMB32.76192 billion (31 December 2017 (restated): approximately RMB15.77253 billion). As at 31 December 2018, the Group recorded net debt of approximately RMB25.67009 billion (31 December 2017 (restated): approximately RMB10.96154 billion) with net debt to equity ratio of approximately 242.08% (31 December 2017 (restated): 207.4%).

As at 31 December 2018, the Group had (i) loan facilities of approximately RMB1.11415 billion (31 December 2017: approximately RMB2.22 million) and RMB16.65 million (31 December 2017: approximately RMB17.57 million) denominated in HK$ and AUD respectively which bore interest rates of 3.4% to 5.1% (31 December 2017: 3.4%) and 4.78% (31 December 2017: 4.78%) per annum respectively; (ii) a loan facility (including receipts under securitisation arrangements) of approximately RMB10.76272 billion (31 December 2017 (restated): approximately RMB7.17972 billion) denominated in RMB which bore an interest rate from 4.89% to 7.3% (31 December 2017 (restated): an interest rate from 4.51% to 5.13%) per annum; (iii) loans from intermediate holding companies of approximately RMB16.08215 billion (31 December 2017 (restated): approximately RMB4.98116 billion) denominated in RMB which bore an interest rate from 5.9% to 6.18% (31 December 2017 (restated): an interest rate from 4.75% to 6.3 %) per annum; and (iv) the amounts due to non-controlling shareholders of approximately RMB2.24186 billion (31 December 2017 (restated): approximately RMB766.07 million) denominated in RMB which bore an interest rate from 4.35% to 10% (31 December 2017 (restated): an interest rate from 6% to 6.3 %) per annum. No particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

The Group's gearing ratio (total borrowings divided by total equity) increased to 284.96% as at 31 December 2018 (31 December 2017 (restated): 244.96%) as the loans from shareholders and banks increased during the Year.

Of the total borrowings, approximately RMB3.79594 billion are repayable within one year while approximately RMB25.71759 billion are repayable after one year but within five years.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which the management considers to be adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

Financial Guarantee Contracts

The Group had arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balance as at 31 December 2018 was approximately RMB10.07453 billion (31 December 2017 (restated): approximately RMB3.20491 billion). The increase was mainly attributable to the increase of pre-sale real estate mortgage loan due to the increase of the sales of property commenced to be sold in the Year.

Capital Commitments

Capital commitments were those contracts that concluded but not provided for leasehold improvement, prepayments for intended projects that concluded but not provided for allowance, nor for the construction of properties under development. The capital commitment was approximately RMB16.27227 billion as at 31 December 2018 (31 December 2017 (restated): approximately RMB4.14221 billion). The significant increase was attributable to the increase in the number of projects during the Year as compared to 2017.

Pledge of Assets

As at 31 December 2018, the Group's bank loan was secured by the legal charges over its property, plant and equipment with carrying value of approximately RMB10.22 million (31 December 2017 (restated): approximately RMB10.10 million), investment properties with a fair value of approximately RMB596.00 million (31 December 2017 (restated): Nil) and properties under development with carrying value of approximately RMB10.87666 billion (31 December 2017 (restated): approximately RMB8.44536 billion).

Capital Structure

As at 31 December 2017 and 2018, the Company's issued share capital was HK$73,486,474.5, divided into 734,864,745 ordinary shares (the "Shares") of HK$0.1 each.

Foreign Currency Exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

As at 31 December 2018, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the Year.

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

Employees and Emolument Policy

As at 31 December 2018, the Group employed a total of 6,307 full-time employees (2017 (restated): 4,652 full-time employees). Total staff costs, including Directors' emoluments, of the Group were approximately RMB731.24 million (2017 (restated): approximately RMB416.02 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment that commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme has been adopted to attract and retain eligible employees to contribute to the Group.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

EVENTS AFTER REPORTING PERIOD

Save as disclosed elsewhere in this annual report, the following significant events took place subsequent to 31 December 2018:

(i) As set out in the announcement dated 8 January 2019, Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司) ("Xiamen Yi Yue"), an indirect subsidiary of the Company entered into the termination agreement with Changsha Xingwang Real Estate Development Company Limited* (長沙興旺房地產開發有限公司), Hunan Xingwang Construction Company Limited* (湖南興旺建設有限公司) and Mr. Hou Yu* (侯宇), pursuant to which, among other things, the parties agreed to terminate the cooperation agreement entered into on 20 April 2018 (the "Cooperation Agreement"). As a result of the termination of the Cooperation Agreement, on 8 January 2019, Xiamen Yi Yue also entered into the termination agreement with Hunan Hongkai Real Estate Development Company Limited* (湖南泓楷房地產開發有限責任公司), pursuant to which, among other things, parties to the joint venture agreement agreed to terminate the joint venture agreement entered into on 20 April 2018 and the transactions contemplated under the Cooperation Agreement and the joint venture agreement would not proceed.

(ii) As set out in the announcement dated 8 January 2019, Xiamen Yi Yue entered into the confirmation letter with Fujian Huaxing Auction House Co., Ltd.* (福建華興拍賣行有限責任公司) ("Fujian Huaxing") on 8 January 2019 to confirm that Xiamen Yi Yue has successfully won the bid for the auction for the land use rights of the land which is located within Yuhu Area* (玉湖片區), Licheng District* (荔城區), Putian City* (莆田市), Fujian Province, the PRC (Parcel No. PS Pai-2018-33) for a total consideration of RMB858,000,000. Xiamen Yi Yue shall also pay the auction commission to Fujian Huaxing in the sum of RMB17,160,000.

(iii) As set out in the announcement dated 28 January 2019, Xiamen Yi Yue and Ningde Jiaotou Real Estate Development Company Limited* (寧德市交投置業房地產開發有限公司) ("Ningde Jiaotou") entered into a cooperation agreement for, among other things, the formation of a joint venture for the purpose of acquisition and development of the land plot No. 2018P02. The joint venture will be held as to 50% and 50% by Xiamen Yi Yue and Ningde Jiaotou respectively.

(iv) As set out in the announcement dated 29 January 2019, Zhaocheng Construction entered into the framework agreement with C&D Real Estate Corporation Limited* (建發房地產集團有限公司 ("C&D Real Estate") for the period from 29 January 2019 to 31 December 2021, pursuant to which Zhaocheng Construction shall provide entrusted construction management services for a variety of construction and property development projects, etc. of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies. The proposed annual caps of the entrusted construction management service fees to be received by Zhaocheng Construction under the framework agreement for each of the three years ending 31 December 2021 are RMB150,000,000.

(v) As set out in the announcement dated 13 March 2019, Xiamen Yi Yue, Fujian Tinghu Real Estate Group Company Limited* (福建挺虎置業集團有限公司) ("Fujian Tinghu"), Mr. Zheng Qingsheng* (鄭慶昇) and Xianyou Zhaoting Real Estate Company Limited* (仙遊兆挺置業有限公司) ("Xianyou Zhaoting") entered into the supplemental agreement on 13 March 2019, pursuant to which, among other things, Xiamen Yi Yue and Fujian Tinghu agreed to contribute to Xianyou Zhaoting in accordance with their respective 55% and 45% equity interest to develop the land which is situated at the centre of Xianyou County* (仙游縣), Putian City* (莆田市), Fujian Province, the PRC (Land Plot No.: PS-2012-20).

OUTLOOK

In 2019, while focusing on its business position as "integrated service provider in real estate development and real estate industrial chain investment services", the Company will accelerate its expansion on business scale, create high-quality and ingenious products, and increase the profitability of its innovative projects. Meanwhile, the Company will continue to strive for sustainable and rapid real growth for its real estate development business. In addition to consolidating its business foundation in respect of the real estate industry chain and expanding its presence in the industrial chain, the Company will also leverage the synergies among different industries and venture into various emerging industries including elderly service, tourism and medical care.

In 2019, the Company will continue to focus on building up its own brand and give full play to its strength in "products, capital and branding" to accelerate its pursuit for the sustainable and rapid real growth for its real estate development business and refined its value driver, i.e. "Products+Services". Taking proactive actions in interacting with the capital market, the Company is endeavored to bring in a sustainable, quality growth in value that is widely recognized and continues to create value for its shareholders, customers, employees and the society and to contribute to society's harmony.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$1.20 per Share in respect of the Year (2017: final dividend of HK$0.30 per Share), subject to the approval at the AGM. Based on the 734,864,745 Shares in issue as at 31 December 2018, it is expected that the final dividend payable will amount to HK$881,837,694 (equivalent to approximately RMB772,667,400). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on Thursday, 25 July 2019.

USE OF PROCEEDS

1. Fund raising from the GEM Listing

During the period from the date of the listing of Shares on GEM (the "GEM Listing") on 14 December 2012 (the "GEM Listing Date") to 31 December 2018, the net proceeds from the GEM Listing had been applied as below (which applications were in line with that stated in the prospectus of the Company dated 30 November 2012 (the "Prospectus").

The net proceeds from the issue of 75,000,000 new Shares (the "Placing Shares") in the Company under the placing as set out in the Prospectus were approximately HK$25.5 million, which was based on the final placing price of HK$0.66 per Placing Share after deducting the actual expenses relating to the GEM Listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 31 December 2018 HK$ million	Actual use of proceeds from the GEM Listing Date to 31 December 2018 HK$ million	Actual use of proceeds during the Year HK$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	1.4	0.7
The pursuit of potential acquisition opportunities or investment in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business):	9.8	9.8	–
Investment in the property		*9.8*	–
General working capital and other general corporate purposes of the Group	2.5	2.5	–
	25.5	13.7	0.7

All the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and the PRC. As at the date of this annual report, there is no detailed planning for the utilization of the remaining proceeds.

2. Fund raising from the issue of perpetual convertible bond (the "Perpetual Convertible Bond")

The net proceeds from the issue of the Perpetual Convertible Bond to Well Land International Limited in an aggregate principal amount of HK$3,000,000,000 under specific mandate as set out in the announcements dated 7 September 2018 and 30 November 2018 and the circular dated 27 October 2018 were approximately HK$2,999,000,000. For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the subscription agreement dated 7 September 2018 (the "Subscription Agreement"), upon full conversion of the Perpetual Convertible Bond at the initial conversion price of HK$8.50 per conversion Share (the closing price per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 September 2018 were HK$6.59), the Perpetual Convertible Bond will be convertible into 352,941,176 ordinary Shares, representing approximately 48.03% of the existing issued share capital of the Company and approximately 32.45% of the issued share capital of the Company as enlarged by the issue of the conversion Shares upon full conversion of the Perpetual Convertible Bond. During the Year, no Shares were issued upon the Exercise of the conversion rights under the Perpetual Convertible Bond.

	Net proceeds from the issue of Perpetual convertible Bond under specific mandate in 2018 HK$ million	Actual use of net proceeds from the issue of Perpetual Convertible Bond under specific mandate as at 31 December 2018 HK$ million
The repayment of loans from the shareholders of the Company	2,999	2,999

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHUANG Yuekai (庄躍凱) ("Mr. Zhuang")

Mr. Zhuang, aged 54, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Company (the "Nomination Committee"), and as a member of the remuneration committee of the Company (the "Remuneration Committee") with effect from 16 March 2015. He graduated from Fuzhou University with a bachelor's degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has engaged in the real estate industry for over 30 years, accumulating a wealth of management experience in the industry. He is responsible for the strategic planning of C&D International Group.

Mr. Zhuang has joined Xiamen C&D Corporation Limited since July 1986 and worked in C&D Real Estate Corporation Limited for many years. He currently serves as, among others, the vice-general manager and a member of the party committee of Xiamen C&D Corporation Limited and the chairman of C&D Real Estate Corporation Limited.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. SHI Zhen (施震) ("Mr. Shi")

Mr. Shi, aged 54, was appointed as the chief executive officer and an executive Director of the Company on 10 February 2015 and resigned as the chief executive officer on 15 March 2016. Mr. Shi graduated from Fuzhou University with a bachelor's degree in engineering, majoring in industrial and civil construction. He is a senior engineer and a certified real estate appraiser in the PRC and has engaged in the real estate and construction industry for over 30 years, accumulating a wealth of management experience in the industry.

Mr. Shi has joined Xiamen C&D Corporation Limited since March 1995 and worked in C&D Real Estate Corporation Limited for many years.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited.

Mr. Shi resigned as an executive Director of the Company on 21 March 2019.

Ms. ZHAO Chengmin (趙呈閩) ("Ms. Zhao")

Ms. Zhao, aged 50, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). She was appointed as deputy executive officer on 20 March 2015 and resigned as deputy executive officer on 15 March 2016. Ms. Zhao graduated from Xiamen University with a master's degree in business administration and is a senior accountant. Ms. Zhao has engaged in financial work for more than 30 years, accumulating a wealth of financial management experience.

Ms. Zhao has joined Xiamen C&D Corporation Limited since September 1990 and worked in C&D Real Estate Corporation Limited for many years. She currently serves as, among others, a supervisor of Xiamen C&D Corporation Limited, a director and general manager of C&D Real Estate Corporation Limited, a director of Well Land International Limited and Well Honour International Limited and a legal representative of various subsidiaries of C&D Real Estate Corporation Limited and of the Group. Ms. Zhao worked as finance controller and vice-general manager in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. LIN Weiguo (林偉國) ("Mr. Lin")

Mr. Lin, aged 40, was appointed as an executive Director and the chief executive officer of the Company on 21 March 2019. He was appointed as the financial controller of the Company from 20 March 2015 to 15 March 2016, and the chief operating officer of the Company from 15 March 2016 to 21 March 2019. Before joining the Group, he served as a manager of a branch of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870). He thereafter joined C&D Real Estate Corporation Limited in 2007 and served as its financial controller and assistant to general manager. He is currently a director and a deputy general manager of C&D Real Estate Corporation Limited, a director and the legal representative of some subsidiaries of C&D Real Estate Corporation Limited and the Group.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. Lin holds a bachelor's degree. He is a senior economist and a senior accountant.

NON EXECUTIVE DIRECTORS

Ms. WANG Xianrong (王憲榕) ("Ms. Wang")

Ms. Wang, aged 67, was appointed as an executive Director of the Company on 10 February 2015 and re-designated as a non-executive Director of the Company on 21 March 2015. She graduated in 1974 from the Faculty of Economics of Xiamen University, majoring in accounting and finance. She is a senior accountant.

Ms. Wang has worked in Xiamen C&D Corporation Limited and C&D Real Estate Corporation Limited for many years. Ms. Wang is a director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153), while she resigned on 24 May 2016. Ms. Wang was a director of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870), a director of C&D Real Estate Corporation Limited while she resigned on 17 February 2017, and the chairperson and director of Xiamen C&D Corporation Limited while she resigned on 21 June 2016. She was also a representative of the 11th National People's Congress.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Ms. Wang resigned as a non-executive Director of the Company on 21 March 2019.

Ms. WU Xiaomin (吳小敏) ("Ms. Wu")

Ms. Wu, aged 64, has been appointed as a non-executive Director of the Company since 20 March 2015. Ms. Wu graduated from Shandong University in 1982 and majored in Japanese. She is a translator and senior economist.

Ms. Wu has been chairwoman of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870) and Xiamen C&D Corporation Limited (while she resigned on 2 March 2017). She has also been a delegate to the 12th People's Congress of Fujian Province and a delegate to the 14th People's Congress for Xiamen City. Ms. Wu has worked in Xiamen C&D Corporation Limited for many years and currently serves as (among others) a director of C&D Real Estate Corporation Limited. Ms. Wu also serves as director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc. Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Mr. HUANG Wenzhou (黃文洲) ("Mr. Huang")

Mr. Huang, aged 54, has been appointed as a non-executive Director of the Company since 29 April 2015. Mr. Huang graduated from MBA of Xiamen University majoring in business administration. He is an accountant.

Mr. Huang has been working in Xiamen C&D Corporation Limited for many years. On 2 March 2017, he was appointed and currently serves as the chairperson of Xiamen C&D Corporation Limited and a director of C&D Real Estate Corporation Limited. Mr. Huang also serves as vice- chairman of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc, a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Ms. YE Yanliu (葉衍榴) ("Ms. Ye")

Ms. Ye, aged 47, was appointed as a non-executive Director of the Company on 21 March 2019. She joined Xiamen C&D Corporation Limited in 1995 and served as its legal affairs director and general legal consultant. She is currently the vice-general manager of Xiamen C&D Corporation Limited, a director of Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153), a director of C&D Real Estate Corporation Limited and a director of some other subsidiaries of Xiamen C&D Corporation Limited (not of the Group) and in charge of risk management in general for Xiamen C&D Corporation Limited.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Ms. Ye holds a bachelor's degree. She is a qualified corporate legal consultant and a practicing corporate lawyer in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Wai (黃馳維)

Mr. Wong Chi Wai, aged 52, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the audit committee of the Board (the "Audit Committee") and a member of the Remuneration Committee and the Nomination Committee. He currently also serves as an independent non-executive director of Bonjour Holdings Limited (stock code: 653), Kin Yat Holdings Limited (stock code: 638) and Arts Optical International Holdings Limited (stock code: 1120), shares of all these companies are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. Mr. Wong Chi Wai obtained a bachelor's degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has over 31 years of experience in the accountancy profession. Other than holding private practice qualification in accounting, he has been admitted as solicitor at the High Court on 9 March 2019 and will practice as associate solicitor in a law firm.

The United States Public Company Accounting Oversight Board on 18 May 2016 censured Mr. Wong Chi Wai, barring him from being an associated person of a registered public accounting firm which has audit responsibilities for public companies in the United States of America ("U.S."), and imposing a civil money penalty against him of US$10,000 on the basis of its findings that in connection with the audits of one U.S. issuer client of his firm, AWC (CPA) Limited. Mr. Wong Chi Wai violated certain U.S. laws, rules and standards relating to the audit requirements of a U.S. issuer client. Mr. Wong Chi Wai may file a petition to associate with a registered public accounting firm after two years from the date of the order.

For the same incident, the Hong Kong Institute of Certified Public Accountants ("HKICPA") concluded that Mr. Wong Chi Wai was in breach of sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants for failure to act diligently in accordance with applicable technical and professional standards when provided professional services. As such, HKICPA reprimanded Mr. Wong Chi Wai and levied an administrative penalty of HK$25,000 and costs of HK$10,000 jointly with other respondents on 27 November 2017.

Mr. WONG Tat Yan Paul (黃達仁)

Mr. Wong Tat Yan Paul, aged 49, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Wong Tat Yan Paul obtained a bachelor's degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master's degree in business administration from the University of Queensland in Australia in 2004. From May 2015 to June 2017, Mr. Wong Tat Yan Paul served as an independent non-executive director and the chairman of the audit committee and remuneration committee of Huiyin Holding Group Limited (formerly known as share Economy Group Limited, Stock Code: 1178) which is Listed on the Main Board of the Stock Exchange. Mr. Wong Tat Yan Paul is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 22 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

Mr. CHAN Chun Yee (陳振宜) ("Mr. Chan")

Mr. Chan, aged 41, has been an independent non-executive director of the Company since 23 November 2012. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. He obtained a bachelor's degree in laws from the City University of Hong Kong in 1999 and a master's degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong, associate member of Chartered Institute of Arbitrators and fellow member of Hong Kong Institute of Arbitrators and has been a practising solicitor in Hong Kong for more than 16 years in general legal practice and in different areas of law. Mr. Chan has been working as a solicitor at the law firm of C.T. Chan & Co., Solicitors since 2002 and become a partner of that law firm since April 2015. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

SENIOR MANAGEMENT

Ms. JIN Liuyuan (金柳媛) ("Ms. Jin")

Ms. Jin, aged 34, has been appointed as the financial controller of the Company since 1 April 2018. She has engaged in financial field for nearly 11 years, accumulating a wealth of financial management experience. Prior to joining the Group, Ms. Jin worked as auditor in PricewaterhouseCoopers Zhong Tian LLP from October 2010 to May 2015. She joined the C&D Real Estate Corporation Limited in 2015 and served as the assistant to general manager of the finance department of C&D Real Estate Corporation Limited. She currently serves as the vice general manager of the finance department of C&D Real Estate Corporation Limited.

Ms. Jin is a postgraduate with a master's degree, a certified public accountant (CPA) in the PRC, an intermediate accountant, and is qualified to engage in the legal industry.

Ms. PAN Yanxia (潘燕霞) ("Ms. Pan")

Ms. Pan, aged 35, has been appointed as the internal audit controller of the Company since 1 April 2018. She has engaged in financial field for nearly 12 years, accumulating a wealth of financial and auditing management experience. Ms. Pan worked in Ernst & Young Hua Ming LLP for seven years. Prior to joining C&D Real Estate Corporation Limited, she has been a vice-director of corporate finance in a private company. She joined C&D Real Estate Corporation Limited in 2016 and served as the assistant to general manager of the auditing department of C&D Real Estate Corporation Limited. She currently serves as the vice-general manager of the auditing & supervision department of C&D Real Estate Corporation Limited. Ms. Pan is responsible for the internal audit of the Group.

Ms. Pan, with a bachelor's degree, is a certified public accountant (CPA) in the PRC, and a certified internal audit (CIA).

COMPANY SECRETARY

Miss LEUNG Ching Ching ("Miss Leung")

Miss Leung, aged 38, has been appointed as the company secretary of the Company since 1 November 2017. Miss Leung is a senior manager of the Corporate Services of Tricor Services Limited. She has over 15 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Other than the Company, Miss Leung is currently also named company secretary to other three Hong Kong listed companies. Miss Leung is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Miss Leung graduated from The Chinese University of Hong Kong and admitted to the Degree of Bachelor of Social Science. She also received a Master of Arts in Professional Accounting and Information System from City University of Hong Kong.

The Directors are pleased to present to the shareholders of the Company the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 21 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 9 to 25 of the annual report and the "Environmental, Social and Governance Report" set out on pages 72 to 104 of the annual report. The relevant discussion in the "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" sections forms part of this annual report.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2018 are set out in the consolidated financial statements and their accompanying notes on pages 110 to 239 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$1.20 per Share in respect of the Year (2017: final dividend of HK$0.30 per Share), subject to the approval at the AGM. Based on the 734,864,745 Shares in issue as at 31 December 2018, it is expected that the final dividend payable will amount to HK$881,837,694 (equivalent to approximately RMB772,667,400). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on Thursday, 25 July 2019.

DIVIDEND POLICY

The Company has adopted a dividend policy in December 2018. In recommending on declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations and other factors.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and income, capital requirements and budgets, interests of shareholders, and restrictions on payment of dividends and any other factors that the Board may consider relevant. Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. Any final dividend for a financial year will be subject to shareholders' approval. The Board will review this dividend policy as appropriate from time to time.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Tuesday, 21 May 2019.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Wednesday, 10 July 2019 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Monday, 8 July 2019.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Monday, 27 May 2019.

FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 240 of this annual report.

SHARE CAPITAL

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

TAX RELIEF AND EXEMPTION

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity on pages 115 to 116 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately RMB1.82515 billion.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately RMB1.35944 billion may be applied for paying distributions or dividends to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands in relation to the issue of new shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group for the Year are set out in note 17 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations of RMB6 million (2017: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 0.43% and 1.32% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 2.92% and 11.98% of the Group's total purchases for the Year respectively.

During the Year, one of the five largest customers was Longyan Lirong Real Estate Development Company Limited* (龍岩利榮房地產開發有限公司) ("Longyan Lirong"). Longyan Lirong is 30% owned by the Company.

Save as disclosed above, none of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this annual report are as follows:

Executive Directors

Mr. Zhuang Yuekai *(Chairman)* R/N
Mr. Shi Zhen (resigned on 21 March 2019)
Ms. Zhao Chengmin
Mr. Lin Weiguo *(Chief Executive Officer)* (appointed on 21 March 2019)

Non-executive Directors (the "NEDs")

Ms. Wang Xianrong (resigned on 21 March 2019)
Ms. Wu Xiaomin
Mr. Huang Wenzhou
Ms. Ye Yanliu (appointed on 21 March 2019)

Independent Non-executive Directors (the "INEDs")

Mr. Wong Chi Wai A/R/N
Mr. Wong Tat Yan Paul A/R/N
Mr. Chan Chun Yee A/R/N

Notes:

A: Member of the Audit Committee
R: Member of the Remuneration Committee
N: Member of the Nomination Committee

In accordance with Articles 105 and 109 of the Articles of Association, Ms. Zhao Chengmin, Mr. Lin Weiguo, Ms. Ye Yanliu, Mr. Wong Chi Wai and Mr. Wong Tat Yan Paul will retire from office by rotation and being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 31 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan Paul and Mr. Chan Chun Yee, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than one month's notice in writing. Each of the executive Directors is entitled to a director's emolument of HK$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the NEDs has entered into a service agreement/letter of appointment with the Company for a term of three years commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the NED or the Company may terminate the agreement by giving the other party not less than one month's notice in writing. Each of the NEDs does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the INEDs has entered into a letter of appointment with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the INED or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the INEDs is entitled to a director's emolument of HK$120,000 per annum from 14 December 2012 and the emolument has been revised to HK$150,000 per annum from 21 March 2015, the emolument has been revised to HK$180,000 per annum from 24 March 2017, and the emolument has been further revised to HK$200,000 per annum from 20 March 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares of the Company

Name of Directors	Capacity/Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital *(Note 1)*
Mr. Zhuang Yuekai	Founder of a discretionary trust	60,305,000 *(Note 2)*	8.21%
Mr. Shi Zhen *(Note 3)*	Founder of a discretionary trust	60,305,000 *(Note 2)*	8.21%
Ms. Zhao Chengmin	Founder of a discretionary trust	60,305,000 *(Note 2)*	8.21%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of 734,864,745 Shares in issue as at 31 December 2018.

2. These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Equity Trustee Limited ("Equity Trustee"). Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin is one of the founders of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

3. Mr. Shi Zhen resigned as an executive Director of the Company on 21 March 2019.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) 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

As at 31 December 2018, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

Name of Shareholders	**Capacity/ Nature of interests**	**Number of issued Shares/ underlying Shares held**	**Approximate percentage of shareholding in issued share capital** *(Note 1)*
Well Land International Limited (益能國際有限公司) ("Well Land")	Beneficial owner	834,049,921 *(Note 2)*	113.5%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour")	Interest of controlled corporation	834,049,921 *(Note 3)*	113.5%
C&D Real Estate	Interest of controlled corporations	834,049,921 *(Note 3)*	113.5%
Xiamen C&D Inc. (廈門建發股份有限公司)	Interest of controlled corporations	834,049,921 *(Note 3)*	113.5%
Xiamen C&D Corporation Limited (廈門建發集團有限公司) ("Xiamen C&D")	Interest of controlled corporations	834,049,921 *(Note 3)*	113.5%
Diamond Firetail	Beneficial owner	60,305,000	8.21%
Equity Trustee	Interest of controlled corporation	60,305,000 *(Note 4)*	8.21%
Ms. Liu Jing	Interest of controlled corporation	60,305,000 *(Note 4)*	8.21%
Mr. Lin Weiguo *(Note 6)*	Interest of controlled corporation	60,305,000 *(Note 4)*	8.21%
Viewforth Limited ("Viewforth")	Beneficial owner	40,000,000	5.44%
Fullshare Holdings Limited ("Fullshare Holdings")	Interest of controlled corporation	40,000,000 *(Note 5)*	5.44%
Magnolia Wealth International Limited ("Magnolia Wealth")	Interest of controlled corporations	40,000,000 *(Note 5)*	5.44%
Mr. Ji Changqun	Interest of controlled corporations	40,000,000 *(Note 5)*	5.44%

Notes:

1 The percentage of shareholding was calculated based on the Company's total number of 734,864,745 Shares in issue as at 31 December 2018.

2 These interests comprise 481,108,745 Shares registered in the name of Well Land and 352,941,176 underlying Shares which may be converted pursuant to the Perpetual Convertible Bond issued by the Company to Well Land on 30 November 2018.

3 Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality, is interested in Xiamen C&D Inc. as to 45.89%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares and the underlying Shares held by Well Land by virtue of the SFO.

4 These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are founders of the said discretionary trust. Therefore, Equity Trustee is deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. Ms. Liu Jing and Mr. Lin Weiguo are protectors of the said discretionary trust. Therefore, Ms. Liu Jing and Mr. Lin Weiguo are deemed to be interested in the Shares held by Diamond Firetail. The interests of Mr. Zhuang Yuekai, Mr. Shi Zhen and Ms. Zhao Chengmin are shown in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations" above.

5 These Shares were registered in the name of Viewforth, a company incorporated in the British Virgin Islands. Viewforth is a wholly-owned subsidiary of Fullshare Holdings. Fullshare Holdings is a controlled corporation of Magnolia Wealth. Magnolia Wealth is 100% beneficially owned by Mr. Ji Changqun. Therefore, Fullshare Holdings, Magnolia Wealth and Mr. Ji Changqun are deemed to be interested in the Shares held by Viewforth by virtue of the SFO.

6 Mr. Lin Weiguo has been appointed as a executive Director and chief executive officer of the Company with effect from 21 March 2019.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as provided under the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for those connected transactions and continuing connected transactions set out on pages 40 to 53 of this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

MANAGEMENT CONTRACT

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

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 40 to the consolidated financial statements, and save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Listing Rules) of the Company and was subject to reporting requirement during the Year and as at 31 December 2018.

LITIGATIONS

There was no material litigations and obligations of the Group during the Year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 47 to the consolidated financial statements.

CONNECTED TRANSACTIONS

1. On 16 January 2018, Xiamen Yi Yue entered into the following agreements:

   (i) the equity transfer agreement with Xiamen Jianhui Real Estate Development Company Limited* (廈門建匯房地產開發有限公司) ("Xiamen Jianhui"), pursuant to which Xiamen Jianhui agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司) ("Changsha Zhaoxi"). The cash consideration thereunder shall be RMB51,131,603.05, Yi Yue shall also repay the shareholder's loan in the amount of RMB3,161,614,963.22 previously advanced by Xiamen Jianhui to Changsha Zhaoxi;

   (ii) the equity transfer agreement with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Taicang Jianjin Real Estate Development Company Limited* (太倉建晉房地產開發有限公司) ("Taicang Jianjin"). The cash consideration thereunder shall be RMB54,343,700.84, Yi Yue shall also repay the shareholder's loan in the amount of RMB1,497,285,232.54 previously advanced by C&D Real Estate to Taicang Jianjin;

   (iii) the equity transfer agreement with C&D Real Estate Corporation Nanning Limited* (建發房地產集團南寧有限公司) ("C&D Nanning"), pursuant to which C&D Nanning agreed to sell and Xiamen Yi Yue agreed to purchase 51% equity interests in Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司) ("Nanning Dingchi"). The cash consideration thereunder shall be RMB3,561,599.42, Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB189,507,330 previously advanced by C&D Nanning to Nanning Dingchi; and

(iv) the equity transfer agreement with C&D Nanning, pursuant to which C&D Nanning agreed to sell and Xiamen Yi Yue agreed to purchase 51% equity interests in Nanning Qinghe Real Estate Development Company Limited* (南寧市慶和房地產開發有限責任公司) ("Nanning Qinghe"). The cash consideration thereunder shall be RMB30,632,143.28.

With effect from completion of the acquisitions contemplated under the abovementioned equity transfer agreements, Xiamen Yi Yue would hold 100% equity interests in each of Changsha Zhaoxi and Taicang Jianjin, and 51% equity interests in each of Nanning Dingchi and Nanning Qinghe, respectively. As Xiamen Jianhui and C&D Nanning are wholly owned subsidiaries of C&D Real Estate and C&D Real Estate is the controlling shareholder of the Company, Xiamen Jianhui, C&D Nanning and C&D Real Estate are considered as connected persons of the Company. As such, the transactions contemplated under the abovementioned equity transfer agreements constituted connected transactions under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 9 May 2018, the proposed resolutions approving the transactions contemplated under the abovementioned equity transfer agreements were passed by the independent shareholders of the Company by way of poll.

2. On 14 March 2018, Xiamen Yi Yue entered into the equity transfer agreement with Jianyang Jiasheng Property Development Company Limited* (建陽嘉盛房地產有限公司) ("Jianyang Jiasheng"), pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 40% equity interests in Nanjing Jiayang Property Development Company Limited* (南京嘉陽房地產開發有限公司) ("Nanjing Jiayang")at the cash consideration of RMB80,000,012.37. Xiamen Yi Yue shall also repay the shareholder's loan (principal and interest) in the amount of RMB297,955,315 previously advanced by Jianyang Jiasheng (or its shareholder) to Nanjing Jiayang. With effect from completion of the Acquisition, Xiamen Yi Yue would hold 40% equity interests in Nanjing Jiayang. As Jianyang Jiasheng is a subsidiary of C&D Real Estate which is the controlling shareholder of the Company, Jianyang Jiasheng is considered as a connected person of the Company. As such, the transaction contemplated under the equity transfer agreement constituted a connected transaction under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 27 April 2018, the proposed resolution approving the transaction contemplated under the equity transfer agreements was passed by the independent shareholders of the Company by way of poll.

3. On 19 March 2018, Yi Yue (Hong Kong) Limited* (益悅(香港)有限公司) ("Yi Yue (Hong Kong)"), an indirect wholly-owned subsidiary of the Company, and Prosper Wealth International Limited ("the Vendor") entered into the sale and purchase agreement (the "Agreement"), pursuant to which, among other things, Yi Yue (Hong Kong) agreed to purchase and the Vendor agreed to sell 100% interests of Jian Yue Holdings Limited* (建悅控股有限公司) ("Jian Yue Holdings") (formerly known as "Fullshare Healthcare Limited* (豐盛健康有限公司)) at the cash consideration of RMB1,092,764.23 (the "Acquisition"). Yi Yue (Hong Kong) shall also provide fund to Jianyue Holdings to repay the shareholder's loan in the amount of RMB168,957,149.55 previously advanced by Fullshare Holdings Limited* (豐盛控股有限公司). As at the date of this annual report, the Vendor indirectly owns as to 49% equity interests in Wuxi Jianyue Property Development Company Limited* (無錫建悅房地產開發有限公司) (an indirect non-wholly owned subsidiary of the Company) and thus the Vendor is a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the Acquisition by Yi Yue (Hong Kong) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Agreement and the Acquisition contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition contemplated under the Agreement was subject to the reporting and announcement requirements only but was exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

4. On 3 April 2018, Xiamen C&D Property Management Service Company Limited* (廈門建發物業管理服務有限公司) ("C&D Property"), an indirect wholly-owned subsidiary of the Company, entered into the following agreements:

   (i) the equity transfer agreement with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and C&D Property agreed to purchase 100% equity interests in Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) ("Huijia"). The cash consideration thereunder shall be RMB37,580,200; and

   (ii) the equity transfer agreement with C&D Real Estate and Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) ("Xiamen Liyuan") , pursuant to which C&D Real Estate and Xiamen Liyuan agreed to sell and C&D Property agreed to purchase in aggregate 100% equity interests in Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司) ("Yijiayuan"). The total cash consideration thereunder shall be RMB75,893,700.

   With effect from completion of the acquisitions contemplated under the abovementioned equity transfer agreements, C&D Property would hold 100% equity interests in Huijia and Yijiayuan, respectively. As Xiamen Liyuan is a wholly-owned subsidiary of C&D Real Estate and C&D Real Estate is the controlling shareholder of the Company, Xiamen Liyuan and C&D Real Estate are considered as connected persons of the Company. As such, the transactions contemplated under the abovementioned equity transfer agreements constituted connected transactions under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 9 July 2018, the proposed resolutions approving the transactions contemplated under the abovementioned equity transfer agreements were passed by the independent shareholders of the Company by way of poll.

5. On 28 June 2018, Xiamen Yi Yue entered into the equity transfer agreement with Xiamen Jiacheng Investment Development Company Limited* (廈門嘉誠投資發展有限公司) ("Xiamen Jiacheng"), pursuant to which Xiamen Jiacheng agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Xiamen Jiafu Investment Company Limited* (廈門嘉富投資有限公司) ("Xiamen Jiafu") at the cash consideration of RMB40,145,311.04. Xiamen Yi Yue shall also repay the shareholder's loan (principal and interest) in the amount of RMB128,734,838.55 previously advanced by Xiamen Jiacheng to Xiamen Jiafu. With effect from completion of the acquisition, Xiamen Yi Yue will hold 100% equity interests in Xiamen Jiafu. As Xiamen Jiacheng is a subsidiary of Xiamen C&D, Xiamen Jiacheng is considered as a connected person of the Company. Accordingly, the acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the acquisition exceeds 0.1% but was less than 5%, the acquisition was subject to the reporting and announcement requirements, but was exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

6. On 7 September 2018, the Company as issuer entered into the subscription agreement with Well Land as subscriber in relation to, among other things, the proposed issue of the Perpetual Convertible Bond in an aggregate principal amount of HK$3,000,000,000 under a specific mandate. Pursuant to the subscription agreement, the Company has conditionally agreed to issue, and Well Land has conditionally agreed to subscribe for, the Perpetual Convertible Bond. For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement, upon full conversion of the Perpetual Convertible Bond at the initial conversion price of HK$8.50 per conversion share, the Perpetual Convertible Bond will be convertible into 352,941,176 conversion shares, representing approximately 48.03% of the existing issued share capital of the Company and approximately 32.45% of the issued share capital of the Company as enlarged by the issue of the conversion shares upon full conversion of the Perpetual Convertible Bond. As Well Land is a controlling shareholder of the Company, it is regarded as a connected person of the Company. Accordingly, the entering into the subscription agreement would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 12 November 2018, the proposed resolution approving the transactions contemplated under the Subscription Agreement was passed by the independent shareholders of the Company by way of poll.

7. On 23 October 2018, Xiamen Yi Yue entered into the following agreements:

   (i) the equity transfer agreement, pursuant to which C&D Real Estate Corporation Shanghai Company Limited*（建發房地產集團上海有限公司）("C&D Shanghai") and Xiamen Zhaoshang Property Company Limited*（廈門兆尚置業有限公司）("Xiamen Zhaoshang") agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Suzhou Zhaokun Property Development Company Limited*（蘇州兆坤房地產開發有限公司）("Suzhou Zhaokun"). The cash consideration thereunder shall be RMB75,984,407.74. Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB1,060,126,311.31 previously advanced by C&D Shanghai and/or Xiamen Zhaoshang (and/or their respective shareholder(s)) to Suzhou Zhaokun (subject to adjustment for actual incurrence);

   (ii) the equity transfer agreement, pursuant to which Xiamen Jianrui Real Estate Development Company Limited*（廈門建瑞房地產開發有限公司）("Xiamen Jianrui") agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Longyan Lirui Real Estate Development Company Limited*（龍岩利瑞房地產開發有限公司）("Longyan Lirui"). The cash consideration thereunder shall be RMB50,123,141.90. Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB950,680,395.63 previously advanced by Xiamen Jianrui (or its shareholder(s)) to Longyan Lirui (subject to adjustment for actual incurrence);

   (iii) the equity transfer agreement, pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 75% equity interests in Jian'ou Fayun Real Estate Company Limited*（建甌發雲房地產有限公司）("Jian'ou Fayun"). The cash consideration thereunder shall be RMB25,208,177.10. Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB58,331,793.31 previously advanced by Jianyang Jiasheng (or its shareholder(s)) to Jian'ou Fayun (subject to adjustment for actual incurrence);

(iv) the equity transfer agreement, pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 75% equity interests in Jian'ou Zhongheng Real Estate Company Limited* （建甌中恒房地產有限公司) ("Jian'ou Zhongheng"). The cash consideration thereunder shall be RMB4,160,083.81. Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB159,105,680.01 previously advanced by Jianyang Jiasheng (or its shareholder(s)) to Jian'ou Zhongheng (subject to adjustment for actual incurrence); and

(v) the equity transfer agreement, pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 70% equity interests in Jian'ou Jiajing Real Estate Company Limited* (建甌嘉景房地產有限公司) ("Jian'ou Jiajing"). The cash consideration thereunder shall be RMB496,023.16. Xiamen Yi Yue shall also repay the shareholder's loan in the amount of RMB71,620,200.00 previously advanced by Jianyang Jiasheng (or its shareholder(s)) to Jian'ou Jiajing (subject to adjustment for actual incurrence).

As C&D Shanghai, Xiamen Zhaoshang, Xiamen Jianrui and Jianyang Jiasheng are wholly-owned subsidiaries of C&D Real Estate and C&D Real Estate is the controlling shareholder of the Company, C&D Shanghai, Xiamen Zhaoshang, Xiamen Jianrui and Jianyang Jiasheng are connected persons of the Company. As such, the transactions contemplated under the abovementioned equity transfer agreements constituted connected transactions under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 12 December 2018, the proposed resolutions approving the transactions contemplated under the abovementioned Equity Transfer Agreements were passed by the independent shareholders of the Company by way of poll.

CONTINUING CONNECTED TRANSACTIONS

1. Continuing connected transactions in relation to the entrusted construction agreements

On 14 December 2015, Zhaocheng Construction, an indirect wholly-owned subsidiary of the Company, entered into two entrusted construction agreements with Xiamen Heshan Construction and Development Limited* (廈門禾山建設發展有限公司) ("Heshan Construction") in respect of the Fanghu Yayuan Resettlement Housing* (枋湖雅苑安置房) project (the "Fanghu Project") and the Xueling Village Redevelopment Resettlement Housing* (薛嶺舊村改造安置房) project (the "Xueling Project") respectively, pursuant to which Zhaocheng Construction shall provide construction management services to Heshan Construction in respect of the Fanghu Project and the Xueling Project.

The construction management fees shall be calculated based on 5% of the direct development costs of the Fanghu Project and the Xueling Project.

The annual caps (as revised) of the construction management services provided by Zhaocheng Construction to Heshan Construction under the entrusted construction agreement in respect of the Fanghu Project (the "Fanghu Entrusted Construction Agreement") were as follows:

Financial year	Annual caps under the Fanghu Entrusted Construction Agreement
1 January 2016 to 31 December 2016	RMB4,477,200
1 January 2017 to 31 December 2017	RMB6,000,000
1 January 2018 to 31 December 2018	RMB1,094,390

The annual caps (as revised) of the construction management services provided by Zhaocheng Construction to Heshan Construction under the entrusted construction agreement in respect of the Xueling Project (the "Xueling Entrusted Construction Agreement") were as follows:

Financial year	**Annual caps under the Xueling Entrusted Construction Agreement**
1 July 2016 to 31 December 2016	RMB3,340,000
1 January 2017 to 31 December 2017	RMB6,680,000
1 January 2018 to 31 December 2018	RMB9,000,000
1 January 2019 to 31 December 2019	RMB5,460,000

Heshan Construction is a wholly-owned subsidiary of C&D Real Estate, a controlling shareholder of the Company and is therefore a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions under the Fanghu Entrusted Construction Agreement and the transactions under the Xueling Entrusted Construction Agreement should be aggregated. As the applicable percentage ratios for the aggregated transactions exceeded 5% but were less than 25% and the consideration was more than HK$10 million, the aggregated transaction constituted a discloseable transaction and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As such, the aggregated transactions were subject to reporting, announcement and independent shareholders' approval requirements. At the extraordinary general meeting of the Company held on 9 May 2016, the Fanghu Entrusted Construction Agreement and the Xueling Entrusted Construction Agreement and the proposed annual caps (as revised) thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcements dated 14 December 2015, 20 January 2016 and 20 April 2016 and circular dated 21 April 2016 for further details of the above continuing connected transactions.

During the Year, the construction management fees receivable from Heshan Construction under the Fanghu Entrusted Construction Agreement amounted to approximately RMB538,000 and the construction management fees payable to Heshan Construction under the Xueling Entrusted Construction Agreement, amounted to approximately RMB6,302,000.

2. Continuing connected transactions in relation to the lease of properties

On 14 March 2016, Shanghai C&D Zhaoyu Asset Management Company Limited* (上海建發兆昱資產管理有限公司) ("Shanghai Zhaoyu"), a subsidiary of the Company, entered into a lease (the "Huayuan Lease") in respect of the Xinjiangwan Huayuan* (新江灣華苑) project (the "Huayuan Project") and a lease (the "Jiayuan Lease") in respect of the Xinjiangwan Jiayuan* (新江灣嘉苑) project (the "Jiayuan Project") with Shanghai Zhongyue Real Estate Development Limited Company* (上海中悦房地產開發有限公司) ("Shanghai Zhongyue") and Shanxidi Real Estate Development Limited Company* (上海山溪地房地產開發有限公司) ("Shanghai Shanxidi") respectively, pursuant to which Shanghai Zhongyue and Shanghai Shanxidi agreed to respectively certain properties in the Huayuan Project and the Jiayuan Project to Shanghai Zhaoyu.

The term of the Jiayuan Lease is 60 months commencing from 15 March 2016 to 14 March 2021, while the term of the Huayuan Lease is 60 months commencing from 1 July 2016 to 30 June 2021. An independent financial advisor has been appointed by the Company to opine on the term of the two leases, each of which is more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

The rent payable under each of the Jiayuan Lease and the Huayuan Lease shall be calculated daily at RMB0.28 per sq.m., RMB0.3 per sq.m., RMB0.32 per sq.m., RMB0.34 per sq.m., RMB0.36 per sq.m. and RMB0.36 per sq.m., for the years ended 31 December 2016 and 2017 and for the years ending 31 December 2018, 2019, 2020 and 2021 respectively, which is determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai.

The respective annual caps of the transactions contemplated under the Jiayuan Lease and the Huayuan Lease were as follows:

Financial year	**Annual caps under the Jiayuan Lease**	**Annual caps under the Huayuan Lease**
Year ended 31 December 2016	RMB2,160,000	RMB1,810,000
Year ended 31 December 2017	RMB2,850,000	RMB3,720,000
Year ended 31 December 2018	RMB3,040,000	RMB3,980,000
Year ending 31 December 2019	RMB3,230,000	RMB4,230,000
Year ending 31 December 2020	RMB3,430,000	RMB4,500,000
Year ending 31 December 2021	RMB700,000	RMB2,290,000

Each of Shanghai Shanxidi and Shanghai Zhongyue is a subsidiary of C&D Real Estate and is therefore a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as all the applicable percentage ratios in respect of the highest annual cap of the two leases exceed 0.1% but are less than 5% on an annual basis, the transactions contemplated under the two leases are subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 14 March 2016 for further details of the above continuing connected transactions.

During the Year, the rent payable to Shanghai Zhongyue under the Huayuan Lease amounted to approximately RMB3,961,000 and the rent payable to Shanghai Shanxidi under the Jiayuan Lease amounted to approximately RMB3,033,000.

3. Continuing connected transactions in relation to the consignment agreements

On 19 August 2016, Shanghai Zhaoyu entered into a consignment agreement with each of Shanghai Shanxidi and Shanghai Zhongyue respectively, pursuant to which Shanghai Zhaoyu agreed to act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of certain properties under the Jiayuan Project and the Huayuan Project in consideration of consignment fees. Please refer to the Company's announcement dated 19 August 2016 for further details regarding pricing policy for the consignment fees and basis for the capital caps of the above continuing connected transactions.

The respective annual caps of the transactions contemplated under the consignment agreement with Shanghai Shanxidi (the "Jiayuan Consignment Agreement") and the consignment agreement with Shanghai Zhongyue (the "Huayuan Consignment Agreement") were as follows:

Financial year	Annual caps under the Jiayuan Consignment Agreement	Annual caps under the Huayuan Consignment Agreement
Year ended 31 December 2017	RMB8,767,000	RMB11,701,500
Year ended 31 December 2018	RMB8,767,000	RMB11,701,500
Year ending 31 December 2019	RMB8,767,000	RMB11,701,500

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement, as well as the transactions under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as one of the applicable percentage ratios in respect of the highest annual cap exceed 5% but are less than 25%, the aggregated transactions are subject to the reporting, announcement and independent shareholders' approval requirements. At the extraordinary general meeting of the Company held on 12 October 2016, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement and the proposed annual caps thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcement dated 19 August 2016 and the Company's circular dated 24 September 2016 for further details of the above continuing connected transactions.

During the Year, there were no consignment fees payable to Shanghai Shanxidi and Shanghai Zhongyue under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement respectively.

4. **Continuing connected transaction in relation to the lease of properties**

On 18 July 2017, Shanghai Zhaoyu entered into a lease (the "Yangpu Lease") with Shanghai Zhaoyu Investment Development Company Limited* (上海兆御投資發展有限公司) ("Shanghai Zhaoyu Investment Development"), pursuant to which Shanghai Zhaoyu Investment Development agreed to lease certain properties located in Yangpu District* (楊浦區), Shanghai to Shanghai Zhaoyu.

The term of Yangpu Lease is 10 years commencing from 1 July 2017 to 30 June 2027. An independent financial advisor has been appointed by the Company to opine on the term of the Yangpu Lease, which is more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

The rent payable under the Yangpu Lease shall be calculated on a daily basis. For the two years from 1July 2017 to 30 June 2019, the rent shall be calculated daily at RMB1.00 per sq.m.; for the year from 1 July 2019 to 30 June 2020, the rent shall be calculated daily at RMB2.00 per sq.m.; for the two years from 1 July 2020 to 30 June 2022, the rent shall be calculated daily at RMB2.10 per sq.m.; for the two years from 1 July 2022 to 30 June 2024, the rent shall be calculated daily at RMB2.21 per sq.m.; for the two years from 1 July 2024 to 30 June 2026, the rent shall be calculated daily at RMB2.32 per sq.m.; and for the year from 1 July 2026 to 30 June 2027, the rent shall be calculated daily at RMB2.44 per sq.m. The rate was determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai. Shanghai Zhaoyu is required to pay the quarterly rent to Shanghai Zhaoyu Investment Development at the beginning of each quarter in advance.

The annual caps of the transactions contemplated under the Yangpu Lease were as follows:

Financial Year	Annual caps under the Yangpu Lease
Year ended 31 December 2017	RMB1,700,000
Year ended 31 December 2018	RMB3,500,000
Year ending 31 December 2019	RMB5,200,000
Year ending 31 December 2020	RMB7,200,000
Year ending 31 December 2021	RMB7,300,000
Year ending 31 December 2022	RMB7,500,000
Year ending 31 December 2023	RMB7,700,000
Year ending 31 December 2024	RMB7,900,000
Year ending 31 December 2025	RMB8,100,000
Year ending 31 December 2026	RMB8,300,000
Year ending 31 December 2027	RMB4,200,000

As all the applicable percentage ratios in respect of the highest annual cap of the Yangpu Lease are less than 25% and the total consideration is less than HK$10,000,000 on an annual basis, the transaction contemplated under the Yangpu Lease is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As Shanghai Zhaoyu Investment Development is a wholly-owned subsidiary of Xiamen C&D which is a controlling shareholder of the Company, Shanghai Zhaoyu Investment Development is considered as a connected person of the Company. The entering into of the Yangpu Lease between Shanghai Zhaoyu and Shanghai Zhaoyu Investment Development therefore constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 18 July 2017 for further details of the above continuing connected transaction.

During the Year, the rent payable of Shanghai Zhaoyu under the Yangpu Lease amounted to approximately RMB3,043,000.

5. **Continuing connected transaction in relation to provision of entrusted management services**

On 1 August 2017, Zhaocheng Construction, a wholly-owned subsidiary of the Company, entered into an entrusted management service agreement (the "Jianyang Entrusted Management Service Agreement") in relation to the Jianyang Western District Ecological City* (建陽西區生態城) project (the "Jianyang Project") with Jiaying Real Estate, pursuant to which Zhaocheng Construction shall provide entrusted management services to Jiaying Real Estate in respect of the Jianyang Project for a term commencing from 1 August 2017 and expiring on 31 July 2020.

The entrusted management service fee shall be 8% of total sales of Jianyang Project payable on a lump sum basis, which is expected to be no more than RMB70,000,000, including (i) Zhaocheng Construction's marketing and management costs incurred for the performance of the entrusted management service; and (ii) the project development and management fee, brand license fee and other service fee received by Zhaocheng Construction from Jiaying Real Estate.

The annual caps of the entrusted management service fee to be received by Zhaocheng Construction under the Jianyang Entrusted Management Service Agreement in respect of the Jianyang Project were as follows:

Financial Year	Annual caps under the Jianyang Entrusted Management Service Agreement
Year ended 31 December 2017	RMB13,000,000
Year ended 31 December 2018	RMB30,000,000
Year ending 31 December 2019	RMB20,000,000
Year ending 31 December 2020	RMB7,000,000

As one of the applicable percentage ratios in respect of the transaction contemplated under the Jianyang Entrusted Management Service Agreement exceeds 25% but is less than 75%, such transaction constitutes a major transaction and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules. Jiaying Real Estate, which is 50% owned by C&D Real Estate, is a subsidiary of C&D Real Estate, a controlling share holder of the Company. Jiaying Real Estate is therefore considered to be a connected person of the Company. Accordingly, the entering into of the Jianyang Entrusted Management Service Agreement between Zhaocheng Construction and Jiaying Real Estate constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 27 October 2017, the transaction contemplated under the Jianyang Entrusted Management Service Agreement and the proposed annual caps thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcement dated 1 August 2017 and the Company's circular dated 11 October 2017 for further details of the above continuing connected transaction.

During the Year, the entrusted management service fee receivable under the Jianyang Entrusted Management Service Agreement amounted to approximately RMB11,323,000.

6. Continuing connected transaction in relation to provision of property management service

On 13 July 2018 (after trading hours), C&D Property, a wholly-owned subsidiary of the Company, entered into the property management service agreement (the "Property Management Service Agreement") with C&D Real Estate, pursuant to which C&D Property shall provide property management services to the properties and development projects of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies.

The proposed annual caps of the property management service fees to be received by C&D Property under the Property Management Service Agreement for each of the four years ending 31 December 2021 are RMB150,000,000, RMB150,000,000, RMB150,000,000 and RMB150,000,000 respectively. In determining the proposed annual caps, the Board has based their estimates on (1) the historical fees received by Yijiayuan and Huijia (subsidiaries of C&D Property) from C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies for providing property management services; (2) the anticipated rise in labor costs, material costs, management fees, etc.; (3) the service demand of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies for their daily operation; and (4) the relevant taxes and reasonable level of profit.

C&D Real Estate is a controlling shareholder of the Company and, therefore, a connected person of the Company. Accordingly, the entering into of the Property Management Service Agreement will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the Property Management Service Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Property Management Service Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the property management service fees receivable from C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies under the Property Management Service Agreement approximately amounted to RMB82,095,000.

7. Continuing connected transaction in relation to provision of entrusted construction services

On 31 August 2018 (after trading hours), Zhaocheng Construction entered into the entrusted construction service agreement (the "Entrusted Construction Service Agreement") in relation to the Fanghu Resettlement Housing* (枋湖安置房) project with Heshan Construction, pursuant to which Zhaocheng Construction shall provide entrusted construction services to Heshan Construction in respect of the Fanghu Resettlement Housing project. Under the Entrusted Construction Service Agreement, the entrusted construction services is expected to commence from August 2018 and complete on May 2021.

The entrusted construction service fee shall not exceed 6% of direct development costs of the Fanghu Resettlement Housing project (expected to be RMB469,000,000), which is expected to be no more than RMB28,140,000 , including:

1. the basic construction management fee, as 4% of direct development costs, estimated to be approximately RMB18,760,000;

2. the entrusted construction risk allowance, as not exceeding 1% of direct development costs, estimated to be not exceeding approximately RMB4,690,000, fully or partially payable if Zhaocheng Construction achieves relevant conditions on cost, progress or management quality, etc.; and

3. the construction management bonus, as 1% of direct development costs, estimated to be approximately RMB4,690,000, payable if Zhaocheng Construction attains excellent construction quality;

The actual amount of the entrusted construction service fee payable to Zhaocheng Construction might be adjusted pursuant to the actual direct development costs and quality of entrusted construction management service.

The proposed annual caps of the entrusted construction service fee and the aggregate annual cap to be received by Zhaocheng Construction under the Entrusted Construction Service Agreement are as follows:

Financial Year	Annual caps under the Entrusted Construction Service Agreement
Year ended 31 December 2018	RMB4,500,000
Year ending 31 December 2019	RMB7,000,000
Year ending 31 December 2020	RMB7,000,000
Year ending 31 December 2021	RMB17,000,000

Zhaocheng Construction is an indirect wholly-owned subsidiary of the Company. Heshan Construction is an indirect wholly-owned subsidiary of C&D Real Estate, which is a controlling shareholder of the Company. Heshan Construction is therefore considered to be a connected person of the Company. Accordingly, the entering into of the Entrusted Construction Service Agreement in relation to the Fanghu Resettlement Housing project between Zhaocheng Construction and Heshan Construction will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. As announced by the Company on 14 December 2015, Zhaocheng Construction entered into two entrusted construction agreements with Heshan Construction, pursuant to which Zhaocheng Construction shall provide construction management services to Heshan Construction in respect of the Fanghu Yayuan Resettlement Housing* (枋湖雅苑安置房) project and the Xueling Village Redevelopment Resettlement Housing* (薛嶺舊村改造安置房) project. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Entrusted Construction Service Agreement shall be aggregated with the abovementioned previous transactions. After aggregation, as one or more of the applicable percentage ratios in respect of the transactions contemplated under the Entrusted Management Services Agreement and the abovementioned previous transaction exceeds 0.1% but is less than 5%, the transactions contemplated under the Entrusted Management Services Agreement and the abovementioned previous transaction are subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Year, the entrusted construction service fee receivable from Heshan Construction under the Entrusted Construction Service Agreement approximately amounted to RMB3,519,000.

8. Continuing connected transaction in relation to provision of entrusted management services

On 22 October 2018 (after trading hours), Zhaocheng Construction entered into the entrusted management service agreement (the "Entrusted Management Service Agreement") in relation to the property development project to be constructed by Nanping Zhaoheng Wuyi Property Development Limited* (南平兆恒武夷房地產開發有限公司) ("Nanping Zhaoheng") on a piece of land that is located at the northwest of Tongzishan Bridge* (童子山大橋), Wuyi New District* (武夷新區), Wuyishan City* (武夷山市), Fujian Province, the PRC (the "Tongzishan Project") with Nanping Zhaoheng, pursuant to which Zhaocheng Construction shall provide entrusted management services to Nanping Zhaoheng in respect of the Tongzishan Project. Under the Entrusted Management Service Agreement, the entrusted management services commenced on 22 October 2018 and are estimated to end on 30 September 2021.

The entrusted management service fee shall be 8% of total sales of the Tongzishan Project payable on a lump sum basis, which is expected to be no more than RMB145,000,000, including (i) Zhaocheng Construction's marketing and management costs incurred for the performance of the entrusted management service; and (ii) the project development and management fee, brand license fee and other service fee received by Zhaocheng Construction from Nanping Zhaoheng.

The proposed annual caps of the entrusted management service fee to be received by Zhaocheng Construction under the Entrusted Management Service Agreement are as follows:

Financial Year	Annual caps under the Entrusted Management Service Agreement
Year ended 31 December 2018	RMB5,000,000
Year ending 31 December 2019	RMB75,000,000
Year ending 31 December 2020	RMB55,000,000
Year ending 31 December 2021	RMB10,000,000

Nanping Zhaoheng, which is 45% owned by Jiaying Real Estate (a subsidiary of C&D Real Estate), is an associate of C&D Real Estate, which is in turn a controlling shareholder of the Company. Nanping Zhaoheng is therefore considered to be a connected person of the Company. Accordingly, the entering into of the Entrusted Management Service Agreement in relation to the Tongzishan Project between Zhaocheng Construction, a wholly-owned subsidiary of the Company, and Nanping Zhaoheng will constitute a continuing connected transaction under Chapter 14A of the Listing Rules.

During the Year, there were no entrusted management service fee receivable from Nanping Zhaoheng under the Entrusted Management Service Agreement.

Review by independent non-executive Directors and the auditor of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was also engaged to report on the Group's continuing connected transactions with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. Based on its work, the Company's auditor of the Company has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(a) nothing has come to the auditor's attention that causes the auditor to believe that the aforesaid continuing connected transactions have not been approved by the Board;

(b) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not followed the Group's pricing policy in any material aspect;

(c) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been carried out in any material way in accordance with the relevant agreements; and

(d) in relation to the aggregate amounts for each of the aforesaid continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the actual transaction amount of any of the aforesaid continuing connected transactions has exceeded the cap determined by the Company for the Year.

Save as disclosed above, a summary of material related party transactions made during the Year is disclosed in note 40 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") in 2012 for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The Share Option Scheme totally complies with the requirements of Chapter 17 of the Main Board Listing Rules after the listing of the Company's Shares has been transferred from the GEM Board to the Main Board in 2014. So the Share Option Scheme is still effective after the transfer. The principal terms of the Share Option Scheme are set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for the Shares in the Company:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Maximum number of Shares under the Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue from the GEM Listing Date, that is 30,000,000 Shares.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates must be approved by INEDs (excluding INED who or whose associates is the proposed grantee of the options). In addition, any grant of options to a substantial shareholder or an INED or any of their respective associates in aggregate over 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each offer, in excess of HK$5 million, in the 12-month period up to and including the date of such grant, must be approved by the shareholders in general meeting of the Company.

Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option to be accompanied by the payment of consideration of HK$1, being acceptance of the grant of an option.

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 from the date of 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 thereof.

Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall 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 for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14 December 2012, being the adoption date of the Share Option Scheme.

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2018.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. Please refer to note 2.21 to the consolidated financial statements for the Year for more information.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Date of agreement	Date of completion	Fund raising activity	Net proceeds raised	Reasons for fund raising and use of net proceeds	Closing price of last trading date before the date of agreement	Actual use of net proceeds as of 31 December 2018
7 September 2018	30 November 2018	Allocation and issue of the Perpetual Convertible Bond in an aggregate principal amount of HK$3,000,000,000 to Well Land under special mandate. The Perpetual Convertible Bond is convertible into 352,941,176 ordinary Shares at the initial conversion price of HK$8.5 per conversion Share (subject to adjustments according to the relevant terms of the subscription agreement).	Approximately HK$2,999,000,000	Broaden the Company's financing channels, optimize the Company's debt structure and further enhance its risk-resisting capability and capability of sustainable development. All of the net proceeds will be applied to repay loans from the shareholders.	HK$6.51	All of the net proceeds were applied to repay loans from the shareholders.

As at 31 December 2018, none of the Perpetual Convertible Bonds has been converted into conversion Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 58 to 71 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within 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 (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules (as appropriate).

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

As disclosed in the Prospectus some lease agreements in respect of certain investment properties in the PRC held or leased by the Group, which are required to be registered under the PRC laws, were not registered nor registrable.

As at 31 December 2018, there were still 78 lease agreements pending to be registered due to the fact that the merchants shall bring their ID cards and go to the competent Real Estate Bureau together with relevant staff of the Group to complete the registration. However, the merchants did not actively assist the Company in completing such registration.

The Company will keep monitoring the registration status of these lease agreements with the aim of completing their registration as early as practicable.

Property ownership certificate of Yu Feng High Street

As disclosed in the Prospectus, following the refurbishment and renovation of Wan Guo Plaza* (萬國廣場) (formerly known as Yu Feng High Street), the property ownership certificate was issued on 11 May 2012 in respect of the refurbished Wan Guo Plaza and covered a GFA of 7,484 sq.m. It was later transpired that there was a shortfall in GFA of approximately 770 sq.m., which was yet to be covered under the property ownership certificate. The Group has delegated a senior management staff to keep liaising with the relevant PRC authorities and following up on the application procedure for a new property ownership certificate of Wan Guo Plaza.

As at 31 December 2018, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the three INEDs, namely Mr. Wong Chi Wai (committee chairman), Mr. Wong Tat Yan Paul and Mr. Chan Chun Yee) has reviewed with the management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITOR

The Group's consolidated financial statements for the Year have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the AGM.

On behalf of the Board

ZHUANG Yuekai
Chairman

Hong Kong, 20 March 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the Year.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the Year, the Company has complied with all the code provisions as set out in the CG Code.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Year.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the Year.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

During the Year and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Mr. Zhuang Yuekai *(Chairman)*
Mr. Shi Zhen
Ms. Zhao Chengmin

Non-executive Directors
Ms. Wang Xianrong
Ms. Wu Xiaomin
Mr. Huang Wenzhou

Independent Non-executive Directors
Mr. Wong Chi Wai
Mr. Wong Tat Yan Paul
Mr. Chan Chun Yee

Mr. Shi Zhen resigned as an executive Director on 21 March 2019, and Mr. Lin Weiguo has been appointed as an executive Director and the Chief Executive Officer on 21 March 2019. Ms. Wang Xianrong resigned as a non-executive Director on 21 March 2019, and Ms. Ye Yanliu has been appointed as a non-executive Director on 21 March 2019.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 26 to 31 of this annual report.

None of the members of the Board is related to one another.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the Year. Code provision A.2.7 of the CG Code has been revised to require that the chairman of the Board should at least annually hold meeting with independent non-executive Directors without the presence of other directors. Arrangements have been made for compliance with the revised code provision which took effect from 1 January 2019.

During the Year, four Board meetings, one annual general meeting (the "AGM") and six extraordinary general meetings (the "EGM") were held. Details of the attendance of the Directors are as follows:

Name of Directors	Attendance of Board Meeting	Attendance of AGM	Attendance of EGM
Mr. Zhuang Yuekai	4/4	1/1	0/6
Mr. Shi Zhen	4/4	1/1	0/6
Ms. Zhao Chengmin	4/4	1/1	6/6
Ms. Wang Xianrong	4/4	0/1	0/6
Ms. Wu Xiaomin	4/4	0/1	0/6
Mr. Huang Wenzhou	4/4	0/1	0/6
Mr. Wong Chi Wai	4/4	1/1	4/6
Mr. Wong Tat Yan Paul	4/4	1/1	6/6
Mr. Chan Chun Yee	4/4	1/1	6/6

Chairman and Chief Executive Officer

The position of chairman of the Board ("Chairman") is held by Mr. Zhuang Yuekai. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

During the Year, there is no chief executive officer appointed by the Company. Mr. Lin Weiguo was the chief operating officer of the Company during the Year who is responsible for the Company's business development and daily management and operations, performing the main duties of the chief executive officer. Mr. Lin Weiguo was appointed as the chief executive officer of the Company on 21 March 2019 to continue to perform the duties mentioned above.

Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors of the Company are appointed for a specific term of three years from their respective date of appointment, subject to renewal after the expiry of the then current term and retirement by rotation and re-election at the AGM in accordance with the Articles of Association.

Each of the independent non-executive Directors has been appointed for an initial term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term, subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders of the Company at the first general meeting after appointment.

Under the Articles of Association, at each AGM, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Moreover, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company. Accordingly, Ms. Zhao Chengmin, Mr. Lin Weiguo, Ms. Ye Yanliu, Mr. Wong Chi Wai and Mr. Wong Tat Yan Paul will retire from office by rotation at the forthcoming AGM and being eligible, have offered themselves for re-election. None of the Directors who is proposed for re-election or any other Directors has a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought 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 responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development ("CPD") to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2018 are summarized as follows:

Name of Directors	Types of Training Note
Executive Directors	
Mr. Zhuang Yuekai	A/B
Mr. Shi Zhen	A/B
Ms. Zhao Chengmin	A/B
Non-executive Directors	
Ms. Wang Xianrong	A/B
Ms. Wu Xiaomin	A/B
Mr. Huang Wenzhou	A/B
Independent Non-executive Directors	
Mr. Wong Chi Wai	A/B
Mr. Wong Tat Yan Paul	A/B
Mr. Chan Chun Yee	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the Chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held two meetings to review the annual financial results and report in respect of the year ended 31 December 2017, the interim results and report for the six months ended 30 June 2018, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Wong Chi Wai *(Chairman)*	2/2
Mr. Wong Tat Yan Paul	2/2
Mr. Chan Chun Yee	2/2

Remuneration Committee

The Remuneration Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr. Wong Tat Yan Paul is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Year, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wong Chi Wai *(Chairman)*	1/1
Mr. Zhuang Yuekai	1/1
Mr. Wong Tat Yan Paul	1/1
Mr. Chan Chun Yee	1/1

Details of the remuneration of the Directors and the senior management of the Company by band are set out in the note 14 to the Audited Financial Statements for the year ended 31 December 2018.

Nomination Committee

The Nomination Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr. Zhuang Yuekai is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. 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 relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Zhuang Yuekai *(Chairman)*	1/1
Mr. Chan Chun Yee	1/1
Mr. Wong Chi Wai	1/1
Mr. Wong Tat Yan Paul	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all 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;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as below:

(i) Appointment of New Director

— The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

— If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

— The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

— For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(ii) Re-election of Director at General Meeting

— The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

— The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

— The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

During the Year, there was no change in the composition of the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are 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.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including risk identification, risk analysis, risk response, risk monitoring and risk reporting processes.

The objectives of the Company's risk management systems are to ensure that the Company operates an effective risk management system, to introduce the established risk management policy into the daily operations of the Company's business units, to cultivate and encourage awareness of risk management within the Group and to measure different risks, to monitor and control risks effectively and to ensure effective mitigation of risks, and the reduction of impact of risks.

The Company encourages employees to adopt a proactive risk management approach to further strengthen the Group's risk awareness culture. The risk management system is incorporated into the business processes of our business units within the Group in order to mitigate the impact of risks with effective risk management policies. Evaluation has been conducted at least annually to confirm that risk management procedures and control policies are properly complied with. The Company also has engaged external professional firm for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Company has an internal audit function to focus on the adequacy and effectiveness of its risk management and internal control systems.

The management assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 105 to 109.

AUDITORS' REMUNERATION

The remuneration paid and payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to approximately HKD1,400,000 and HKD960,000 respectively.

An analysis of the remuneration paid and payable to the external auditors of the Company, Grant Thornton Hong Kong Limited, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/Payable
Audit Services	Nil/HKD1,400,000
Non-audit Services	
— risk management review and internal control review services (Paid to Grant Thornton Advisory Services Limited)	Nil/HKD190,000
— consulting service in environmental, social and governance reporting	Nil/HKD150,000
— professional services for acquisition	HKD610,000/Nil
— filing services for profits tax returns	HKD10,000/Nil

COMPANY SECRETARY

Miss Leung Ching Ching has been appointed as the Company's company secretary. Miss Leung Ching Ching is a senior manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Lu Jinwen, the Deputy General Manager of the Company has been designated as the primary contact person at the Company which would work and communicate with Miss Leung Ching Ching on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2018, Miss Leung Ching Ching has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Shareholders are encouraged to attend all general meetings of the Company. According to Article 64 of the Articles of Association, shareholders holding not less than 10% of the paid up capital of the Company having the right of voting at general meetings can request to convene an EGM by depositing a requisition in writing to the Directors or the Company Secretary for such purpose. The written requisition shall be deposited to the Company's office located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposal at general meetings may make a requisition to convene an EGM following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 2525 7890
Tel:	(852) 2525 7922

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director at that meeting, he/she/it can deposit a written notice at either of the following addresses:

Head office and principal place of business of the Company in Hong Kong
Office No. 3517
35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Hong Kong branch share registrar and transfer office of the Company
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned together with a written notice of the person proposed for election as a director indicating his/her willingness to be elected.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

I. ABOUT THIS REPORT

1. Introduction of the Report

C&D International Investment Group Limited ("C&D International Group" or "the Group" or "the Company") is pleased to release its 2018 Environmental, Social and Governance Report ("the Report") to disclose its vision and practice of sustainable development with an aim to enhance stakeholders' understanding of the Group and their confidence in the Group.

C&D International Group is the holding subsidiary of C&D Real Estate Co., Ltd ("C&D Real Estate"), and the parent company of C&D Real Estate is Xiamen C&D Co., Ltd ("C&D Corporation").

2. Scope of the Report

The Report covers the business of property development, real estate industrial chain investment services and emerging industry investment of the Group from 1 January 2018 to 31 December 2018. The Report includes contents in relation to customer satisfactions dating back to previous years to provide a clear and accurate description of the performance of the Group in terms of environment, society and governance ("ESG") in 2018.

3. Preparation basis of the Report

The Report was prepared in accordance with Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

4. Source of reporting data

The information disclosed in the Report is derived from the Group's formal documents, reports or relevant public information. All information used in the Report comes from relevant functional departments of C&D International Group and its selected subsidiaries. Unless otherwise stated, the financial data in the Report has been presented in RMB.

5. Publication of the Report

The Report is available in both Chinese and English, and is distributed in electronic form only. If there is any discrepancy between the English and Chinese versions of the Report, the Chinese version shall prevail. Electronic version of the Report can be accessed on the official website of the Group (http://cndintl.com) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

II. ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES

The Board of Directors of the Group is responsible for reviewing the effectiveness of ESG work, reviewing and officially signing the annual ESG report. The Group conducts ESG risk management based on current risk management and internal control systems to ensure effective control of ESG risks. Currently, the Group has developed and implemented risk management and internal control policies and measures for key business processes and conducts regular assessments to ensure that risk management and internal control policies and measures are properly implemented. The Group also reviewed the adequacy and effectiveness of the risk management and internal control systems by engaging external professional companies and internal audits.

The Group adheres to the corporate mission of "exploiting new values and enabling more people to live a quality life", shoulders environmental and social responsibilities and listens and responds to the expectations and demands of stakeholders. The Group continues to integrate the concept of sustainable development into corporate strategy, decision-making and operations, conducts timely reviews of the impact of business development on the environment and society, and strives to promote social harmony and sustainable development.

The Group also relies on the preparation and disclosure of the Report to reflect on and improve the deficiencies in ESG work and to enhance the Group's ability in management and control of ESG risks

III. ENGAGEMENT OF STAKEHOLDERS

The Group adheres to the core values of "proactive and cooperative operation", and pays close attention to the demands and expectations of the stakeholders. The Group will improve gradually the communication mechanism with stakeholders, and work together with all stakeholders to promote the coordination and sustainable development of economy, environment and society.

Stakeholders	Expectations and Demands	Communication and Response
Shareholders and investors	Investment returns Interests protection Corporate transparency Risk control	Enhance profitability Convene general meetings Disclosure of day-to-day information Optimize internal control and risk management
Government and regulators	Operation in compliance with the laws Response to the national call Support local development	Pay taxes in full on time, implement anti-corruption management Actively implement relevant policies Actively assume social responsibilities
Employees	Career development platform Remuneration and benefits Healthy and safe working environment Listening to the voice of employees	Optimize career promotion mechanism Competitive salary and benefits Implement management system for health and safety Equal communication and complaint mechanism
Customers	Product quality and price/performance ratio Customer service quality Customer information security Customer rights protection	Implement the "Diamond" brand concept Comprehensive and considerate services Improve the relevant system for confidentiality of customer information Marketing compliance
Suppliers and partners	Integrity cooperation Experience sharing Win-win cooperation Business ethics and reputation	Create supplier management system Promote daily communication Carry out project cooperation Perform contracts under the laws and perform assessment of suppliers
Society and the public	Support social welfare Protect natural environment Promote social advancement	Take part in charity Adhere to green operations Share development achievements

IV. MATERIALITY ASSESSMENT OF ESG ISSUES IN 2018

The Group understands the expectations and demands of stakeholders by conducting face-to-face interviews. The Group evaluates the importance of ESG issues to business development of the Group and to the stakeholders, so as to determine the disclosure keynotes for the Report, and hence expectations and demands of all stakeholders are actively responded.

The materiality assessment of ESG issues for the year covers the following steps:

Identify ESG issues

- update the list of 2018 ESG issues in six aspects including "product responsibility", "supply chain management", "anti-corruption", "employee management", "environment management" and "community involvement" based on the Group's business characteristics and ESG management characteristics in the industry

Conduct survey

- understand the expectations and demands of each departments and their major external stakeholders by way of face-to-face interviews

Determine the materiality

- prioritize the material ESG issues based on the results of survey, discuss and determine the disclosure keynotes of the Report and the highlights for enhancing future ESG governance

Set out below is the priority of material ESG issues in 2018:

Table 1 Priority of material ESG issues in 2018

Aspect	Name of Issue	Priority
Product responsibility	Product quality control	1
	Safe and civilized construction	2
	Service quality and customer satisfaction	3
	Customer information security and privacy protection	4
Supply chain management	Assessment and supervision of suppliers	5
Construction of integrity	Construction of integrity cultural	6
Employee management	Rights and interest protection and care for employees	7
	Employee training and development	8
	Occupational health and safety	9
Environmental management	Green construction	10
	Energy saving, emission reduction and green operation	11
	Waste disposal and recycling	12
Community involvement	Community development and communication	13
	Charity and social services	14

According to the assessment results in 2018, ESG issues mainly focused on aspects such as product responsibilities, supplier management and anti-corruption management. The Group's performance in product quality control and integrity culture are the major concerns of all stakeholders. The Group will disclose each issue in the subsequent chapters of the Report and will discuss in details the issues in priority to respond to the concerns of stakeholders. Meanwhile, the Group will take these assessment results as the focus of the 2019 annual environmental, social and governance work plan to improve and perfect the management systems of the related issues, thus improving its performance and creating shared sustainable value for stakeholders in economic, social and environmental aspects.

V. PRODUCT RESPONSIBILITY

The Group understands that product quality is the cornerstone of our development. The Group has always adhered to the "Diamond" brand concept with high standards of product quality, excellent customer service and good customer reputation, and is committed to providing customers with beautiful and enjoyable living environment.

1. Product and service quality

Strict inspection in every aspect

The Group strictly abides by the " Construction Law of the People's Republic of China" and other laws and regulations, and strictly implements relevant national and local requirements for the quality and safety of construction projects to ensure the quality of construction projects. The Group implements the management rules such as "Engineering Quality Control Measures" and "Delivery Management Measures" formulated by C&D Real Estate, which clarifies the structure of the project quality control, the first person responsible for quality, key points for quality control during construction process, project quality evaluation process and delivery management. The Group also implements the whole-process quality supervision mechanism from "early stage control — process evaluation — delivery management" to ensure the quality of the project.

Structure of the project quality control

General manager of each regional company/business unit is the first person responsible for project quality

First person responsible for project quality	Assistant general managers or personnel of above levels of engineering department of the regional/business unit act as first person responsible for project quality and are responsible for implementation of management documents, supervision, inspection and control of project quality
Joint inspection of project quality	Joint inspection working team is established with first person responsible for project quality or designated manager of quality control department as the team leader and project managers, designers and customer relations officers as team members. Professional joint inspections are carried out to detect concealed quality defects. The commencement of next construction process is subject to passing of inspection.
Joint inspection on delivery standards	Project department is responsible for arranging joint inspection on delivery of standard sample housing. Personnel of marketing department, design department, customer relations department and cost department are involved in joint inspection to timely discover and modify the design defects such as "wrong design, omission and conflict in design"

Exploring Oriental Aesthetics

Under the new brand concept of "Exploring Oriental Aesthetics" (i.e. by exploring oriental aesthetics and wisdom to present the beauty of Chinese-style architecture), C&D International Group brought forth Chinese artisan concept such as "Confucius door design, Taoist temple design, Tang Dynasty architectural style and Chinese decorative patterns (儒門、道園、唐風、華紋)". The Group pays attentions to every detail in all aspects from the early stage of site selection, project design, quality construction, and strives to create a perfect living environment to meet the needs of the new era by integrating traditional etiquette such as three-way courtyard in architectural layout. During the project design and construction process, the Group emphasizes on reshaping the traditional Chinese structure and space with modern materials and crafts so that the housing not only conforms to modern living habits and aesthetic standards, but also reflects the character of Chinese people and nostalgia.

Case: Xiamen•Yangzhu Project

Located in the core area of Xincheng, Jimei District, Xiamen City, the project is designed as a traditional Chinese-styled housing nourished with three-way courtyard layout and a stylish Yangzhu garden, aiming to be Chinese-styled benchmarking project.

Considerate services for creating a convenient living environment

The Group strictly abides by the relevant provisions like the State Property Management Rules and other laws and regulations and continues to improve our property management ability. The Group adheres to the "people-oriented" customer service concept, and formulates and implements the "Property Quality Inspection Standards" and " Standards on Secret Quality Inspections Performed by Third Party" and other rules to create a customer services system covering six major aspects, including one-stop services, exclusive house-keeping services, zero-interference services, proactive services, considerate services and surprise services. The Group is also committed to promote the quality of property services through the establishment of smart communities. Xiamen C&D Property Management Service Company Limited* (廈門建發物業管理服務有限公司), a subsidiary of C&D International Group specializing in property management, has obtained the national Class 1 Qualifications of Property Service Enterprise, and has obtained three management system certifications including the ISO9001 Quality Control System Certification, ISO14001 Environmental Management System Certification and OHSAS18001 Occupational Health And Safety Management System Certification.

Standardized management

Formulate work instructions for specific services areas such as cleaning service, greening services, quality inspections, customer service executives and complaint handling and community cultural activities;

Smart community life

"Smart Life APP" offers 15 functions such as online repair request, complaints, fee payment, social networking and access control for residential owners, providing one-stop services to customers to enjoy a safe, comfortable, smart and convenient lifestyle;

Considerate services

Organize community themed activities in holidays, and offer considerate services such as free-of-charge formaldehyde testing, health checks and carpet cleaning to promote community harmony.

"Smart Life APP"

"AB door" design for entrance gate to prevent being followed

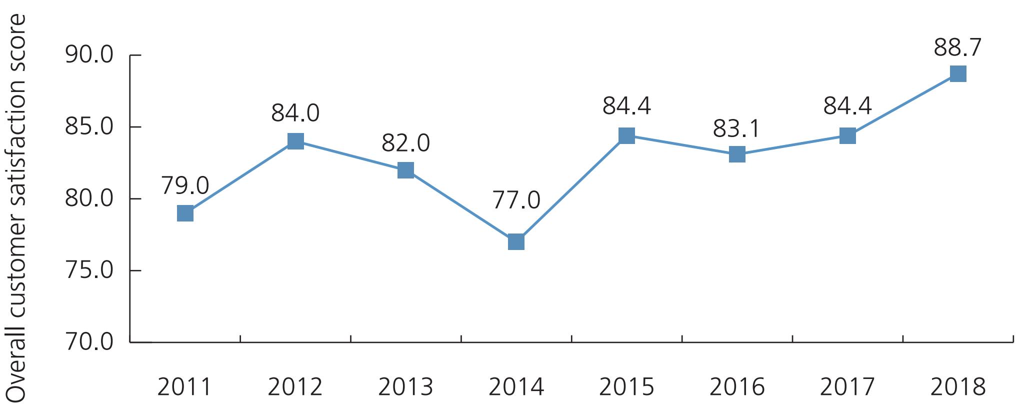
2. Customer communication and satisfaction

The Group strictly abides by the regulations of customer rights and the obligations of business operators as set out in the laws and regulations including the Law of the People's Republic of China on Protection of Consumer Rights and Interests. The Group timely understands and follows up the customer complaints and opinions to protect their legal rights. In addition, the Group continues to improve the assessment method related to customer satisfaction, and regards customer satisfaction as one of the important indicators for quarterly and annual evaluation of performance of regions or departments.

The Group focuses on timely tracking of changes in customer needs. From 2011 to 2018, the Group engaged professional third party to conduct residential owners' satisfaction surveys for 8 consecutive years. The residential owners' satisfaction survey covers the entire process of property development and services such as property services, sales services, house delivery services, reconstruction and maintenance as well as complaint handling to reflect an objective and fair picture of customer satisfaction and their views. The results of residential owners' satisfaction survey over recent years are as follows:

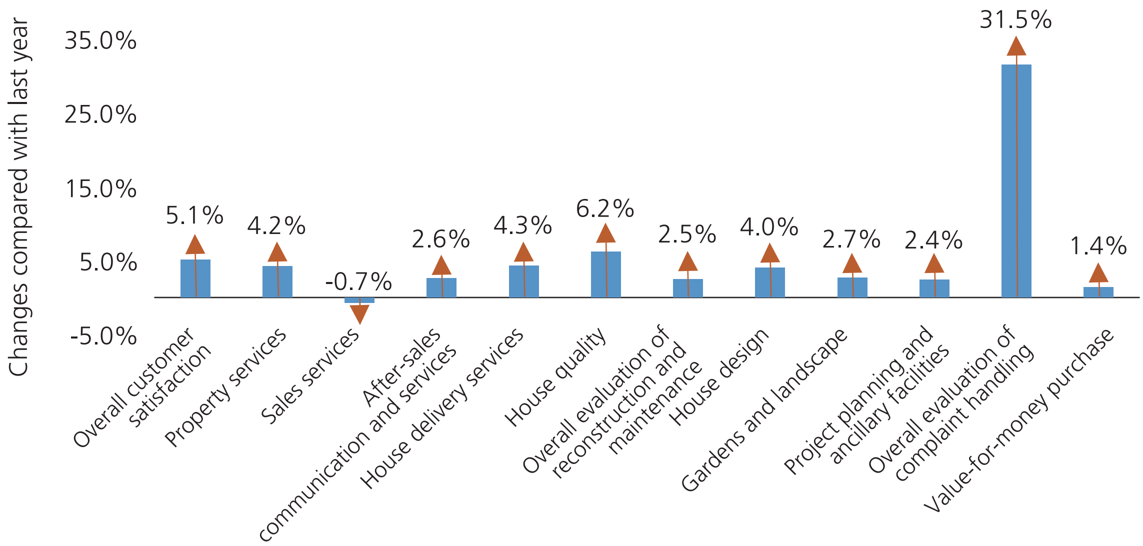
- In general, the satisfaction of the Group's residential owners showed an upward trend. In 2018, the overall customer satisfaction score was 88.7.

Changes in overall customer satisfaction in 2011–2018

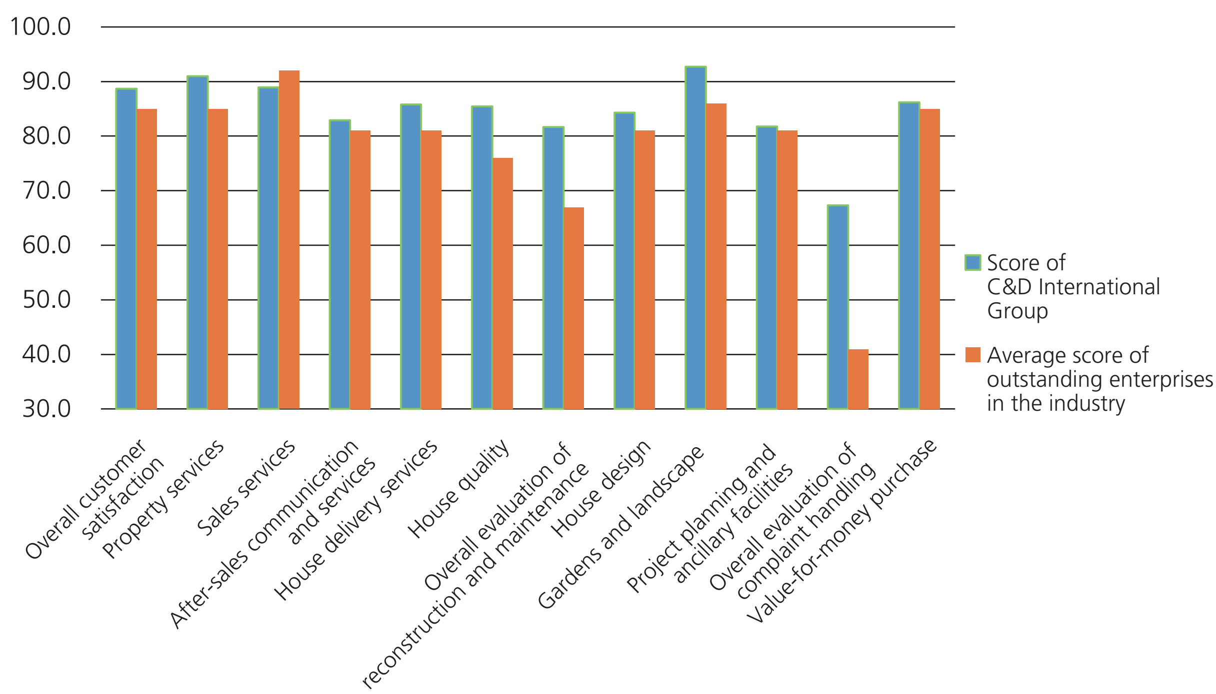


- As compared with last year, except sales service indicators, the Group's other key business performance indicators have improved in 2018 and are higher than the average score of the outstanding enterprises in the industry.

Changes in key business performance indicators compared with last year



Comparison of the results of satisfaction survey of our residential owners in 2018 with that of outstanding enterprises in the industry



Note: The raw data to calculate the average score of outstanding entities in the industry is derived from the 2018 industry database of FG Consulting Co., Ltd., which is the top 25% enterprises.

The Group has established various complaint channels such as 400 call center, "Smart Life APP", C&D Real Estate's "Diamond Club" WeChat Official Account and hotline of customer relations center. Customer relationship hotline is set in each project and residential owner group chats are formed by the property companies to facilitate timely response to the needs of residential owners by customer relations officers or property management companies. Meanwhile, the Group has set out standardized procedures accepting customer complaints for its 400 call center to timely follow-up the handling results of customer complaints and pay visits to customers to investigate their degree of satisfaction. In 2018, the Group received 1,780 complaints through 400 hotline and spent a total of 1,253 hours in handling complaints. The number of outbound call and visits to customers was 75,120 and 28,452 respectively.

3. Information security and customer privacy protection

The Group complies with the relevant provisions of the "Network Security Law of the People's Republic of China" and implements internal information security management regulations, which clarifies the responsible organization of information security and its responsibilities, and puts forward specific management requirements from the limits of authority, network, computer, documentation, information release and other aspects to to ensure the effective implementation of information security. The Group also adopts various information technology measures such as network security, host security, server room management, application management, data backup and external security services to ensure information security.

Pursuant to the Customer Data Confidentiality Agreement entered into by the Group and personnel who may have access to customer data, system authorization is set according to employees' job duties and is strictly implemented. It is stipulated that employees must not take soft or hard copies of the confidential documents or take photos of such documents after leaving the company without the permission of the person-in-charge of the unit. Employees who steal or reveal confidential customer information are subject to penalties, dismissal, legal actions and economic compensation.

4. Marketing Compliance

The Group strictly abides by the relevant laws and regulations of the Advertising Law of the People's Republic of China and the relevant regulations of the region where it operates. The Group evaluates and controls the legality and authenticity of information and materials used for advertising, marketing promotion and publicity. The release of deceptive and misleading information and materials is prohibited to protect the legitimate rights and interests of customers.

In order to implement and supervise the marketing compliance in various regions and business divisions, the Group's marketing center has formulated relevant administrative measures on market management and marketing-related bidding management and instruction manuals to regulate marketing budget, marketing procedures, contract fee management, land expansion, project positioning, property development proposals, market research, sales display and marketing bidding management, providing guidance for the commencement of orderly marketing work in compliance to the laws and regulations. Meanwhile, the Group's marketing center conducts inspections or spot check of marketing projects semi-annually or annually.

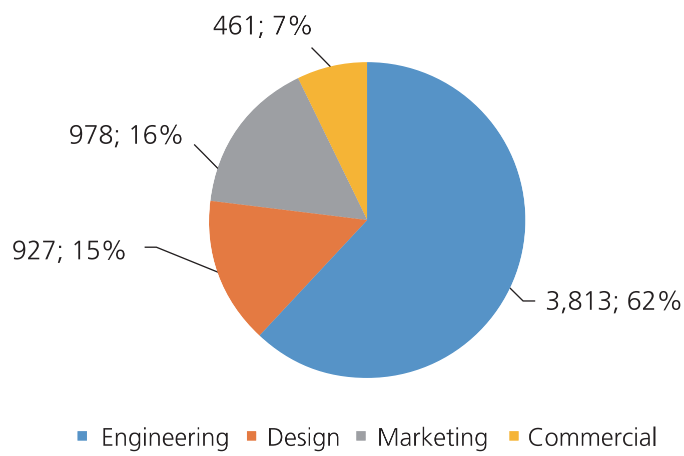
5. Intellectual property rights protection

In order to effectively protect the Group's intangible assets, the Group strictly abides by the national patent laws, copyright laws, trademark laws and other laws and regulations, and implements the relevant legal affairs management measures to regulate management of intellectual property rights. The Group encourages employees to participate in "C&D Group's 2018 Intellectual Property Rights Promotion Week" and "Intellectual Property Rights Issues and Dispute Resolution" seminars and other related activities to enhance our employees' awareness and recognition to the protection of intellectual property rights. Intellectual property protection clause are incorporated in the procurement contracts of goods and services entered into by business partners to enhance the counterparties' awareness of the intellectual property rights protection and reduce the risk of the Group infringing intellectual property rights. In 2018, the Group has applied for and been granted 40 design patents and 9 software copyrights.

VI. SUPPLY CHAIN MANAGEMENT

Integrity cooperation with suppliers is an important guarantee for the sustainable development of the Group. The Group strictly abides by the laws and regulations such as the Tendering/Bidding Law of the People's Republic of China and the Government Procurement Law of the People's Republic of China to manage the inspection and approval, selection and maintenance as well as dynamic evaluation of suppliers. The Group is committed to strengthen communication with suppliers to build cooperation relationships based on mutual trust and promote the stable development of the industry.

Number and proportion of various types of suppliers of the Group as at 31 December 2018



1. Supplier selection and management

The Group implements the administrative measures on suppliers resource storage, which clarifies the rights and responsibilities of suppliers, and provides specific guidelines for suppliers' evaluation, storage, maintenance and dynamic management. Meanwhile, the administrative measures stipulate suppliers will be subject to penalty depending on the seriousness of the situations if acts of fraud and malpractice are found during the process of supplier inspection, performance evaluation, in order to ensure the fairness and transparency of supplier selection and management.

2. Communication with suppliers

The Group attaches great importance to maintaining close communication with business partners and actively participates in industry summits, exhibitions to keep abreast of the needs of suppliers and industry trends through various channels, with a view to achieving a win-win situation. In 2018, the Group participated in the "2018 Real Estate Engineering Management Innovation Summit" jointly organized by Mingyuan Real Estate Research Institute and Shenzhen Mingyuan Cloud Chain E-Commerce Co., Ltd., and the 5th Architecture Quality Control Summit Forum organized by Shenzhen Ridge Engineering Consulting Co., Ltd., the "Quality Management Summit Forum" and other activities, to get hold of new technologies and processes of developers, contractors and suppliers with an aim to achieve efficient collaboration and promote the development of the industry.

The 5th Architecture Quality Control Summit Forum

The Architecture Quality Control Summit Forum brought together the industry's top-notch talent and management experience. At the summit forum, the Group listened to a number of peer companies to share their excellent experience of engineering management, and jointly explored in-depth the current development of informatization of the construction industry. Content and mode of digital construction delivery were explained at the summit forum while participants put their heads together to discuss how to use innovative tools to improve corporate quality control.

3. Suppliers' environmental and social responsibility

Pursuant to the contracts entered into by the Group and suppliers, all suppliers are required to comply with the national and local regulations on environmental protection and product quality management. The materials supplied by suppliers shall comply with relevant technical specifications and environmental protection requirements. Suppliers are also required to provide relevant product qualification certificates and test reports. The Group ensures that suppliers undertake the corresponding environmental and social responsibilities in accordance with laws and regulations through the supplier dynamic management mechanism.

VII. CONSTRUCTION OF INTEGRITY

The Group strictly adheres to the relevant laws and regulations in relation to prevention of bribery, extortion, fraud and money laundering, including the Supervision Law of the People's Republic of China, the Regulations of the Communist Party of China on Disciplinary Actions, and the Anti-Money Laundering Law of the People's Republic of China. The Group implements such internal regulations as "Party Construction and Party Work Style and Clean Government Construction Responsibility System", "Notice on the Implementation of the Municipal Government's Clean Government Work", "Regulations on integrity and self-discipline of employees", "Administrative Measures for Human Resources Management", and explicitly prohibits employees from bribery, extortion, fraud and money laundering.

The Group adheres to the integrity construction concept of "education and prevention, and advocates the ideas of honesty, self-discipline and integrity to employees, creating an atmosphere of integrity and anti-corruption within the Group to safeguard the interests" of customers and the Group. The Group is committed to enhance employees' awareness on anti-corruption by providing reminders on internal integrity policies, arranging visits to education base on construction of a clean and honest Party, anti-corruption film watching and seminars on anti-corruption education from time to time. Currently, the promotion and education measures on staff integrity adopted by the Group include:

- The Group's Disciplinary Committee issues notices on the "8 Requirements" and "10 Prohibitions" through channels such as announcements, mobile phone text messages and WeChat group chats during major holidays. General managers and the Comprehensive Department are required to carry out promotion and education on integrity;

- Management of the Group emphasizes integrity and self-discipline of cadres who are present at major work meetings including quarterly work meetings, annual work meetings and cadre meetings;

- All branches under the Party Committee of the Group are required to carry out promotion and education activities on integrity and self-discipline at least once every year.

Visits to education base on construction of a clean and honest Party

In May 2018, the Group's Party Committee arranged 51 newly-appointed cadres at junior and middle levels to visit the education base on construction of a clean and honest Party in Xiamen. Through in-depth analysis of various corruption cases and learning of touching stories of outstanding people, the cadres fully recognized the importance of the construction of a clean and honest Party.

Watching educational film on integrity

In August 2018, the Fourth Party Branch of the Group convened a committee meeting and watched educational film "Xunshi Lijian (巡視利劍)" on construction of a clean and honest Party to promote resistance to corruption.

The Group has set up anti-corruption reporting mailboxes and whistleblowing measures to encourage internal and external personnel to report corruption and non-compliance. The Group has assigned personnel to investigate the reports received. Once verified, offenders will be handed over the judicial departments. The Group properly handles the anonymous reports received and keeps the complainant and report confidential.

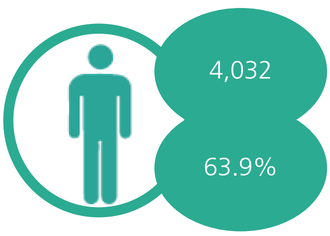
VIII. EMPLOYEE MANAGEMENT

The Group strongly believes that employees are the driving force behind corporate development. The Group strictly complies with the requirements of the laws and regulations including the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. In addition, the Group will continue to improve the training and education system and the assessment and promotion mechanism to protect the welfare and rights of employees, unleash employees' potential and enhance employees' sense of belonging, which in turn will assist the Group to achieve long-term development.

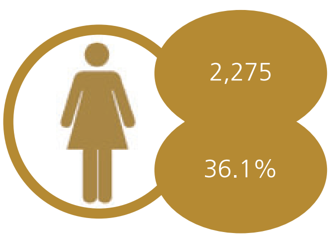
As at 31 December 2018, the Group has a total of 6,307 employees. Of which, male employees and females employees accounted for 63.9% and 36.1% of the total number of employees respectively; while employees aged under 30, 31-40, and over 41 accounted for 38.5%, 27.2% and 34.3% of the total number of employees respectively. See the chart below for details:

	City	Number of employees (person)
Mainland China	Fuzhou	780
	Guangzhou	42
	Lianjiang	8
	Longyan	202
	Nanning	92
	Nanping	29
	Putian	1
	Quanzhou	186
	Xiamen	2,427
	Shenzhen	17
	Suzhou	333
	Wuxi	67
	Zhangjiagang	126
	Zhangshou	311
	Changsha	246
	Zhuhai	24
	Chaozhou	38
	Wuhan	34
	Shanghai	348
	Nan'an	13
	Yong'an	149
	Taicang	29
	Jianyang	208
	Jian'ou	81
	Nanjing	19
	Jinjiang	49
	Chengdu	433
	Sydney	1
	Hong Kong	2
	Total	6,307

Statistics by region



Proportion of total number of male employees
- Under 30: 34.0%
- 31-40: 26.9%
- Over 41: 39.1%



Proportion of total number of female employees
- Under 30: 46.6%
- 31-40: 27.8%
- Over 41: 25.6%

Statistics by gender

Statistics by age

1. Employment compliance and communications with employees

The Group abides by the "Administrative Measures for Human Resources Management" formulated by C&D Real Estate, and adheres to the employment principles of "suitable positions for qualified employees" and "recruiting talents and avoiding recruitment of persons with specific family relationships with employees of the company". The Group recruits employees in accordance with laws and regulations and standardize the management of employee recruitment, salary and dismissal, vacation, working hours, employee welfare and other aspects to protect the legitimate rights and interests of employees.

The Group conducts talent selection through open selection and internal competition, and strictly prohibits the recruitment of persons with specific family relationships with the employees of the Group to ensure fair, open and transparent employment. The Group provides employees with competitive salaries, and pays social security and provident fund in full for all employees in accordance with laws and regulations, and provides a number of benefits such as paid annual leave to protect the legitimate rights and interests of employees. Meanwhile, the Group provides subsidies such as rent subsidies, transportation subsidies, heatstroke prevention and cooling fees, and special holiday condolences to employees to improve their happiness and job satisfaction.

The Group attaches great importance to timely communication with employees. The Group implements targeted communication measures for employees of different work stages and different ranks, and keeps abreast of the views of employees. Staff on probation are assigned with mentors to help them quickly adapt to job requirements. The Group keeps abreast of the advice and needs of employees through experience sharing, discussions and appraisals. Based on the opinions and suggestions obtained from employees, the Group continues to improve the personnel management system and promote the development of both employees and the Group. Meanwhile, leveraging on C&D Real Estate's "Yue Life" WeChat Official Account and cultural wall and other corporate core cultural propaganda channels, internal publications, cultural activities organised by the party committees, the Group enhances communications with employees and staff cohesion.

Internal publications: "Building a New Force", "Hit it off well right from the beginning"

Cultural activities organised by the Party Brunch and the Labour Unions

Culture Wall

2. Employee training and development

The Group highly emphasizes employee training and development, and actively arranges employees to attend training programs such as management, professional skills and corporate culture. In addition, the Group also arranges irregular internal communications and external training for employees according to business development needs.

Up to this date, the training programs that employees of the Group can attend according to their actual needs include:

Management

- seminars for new general managers
- improvement plans for managers
- lectures for senior management

Key management and talent pool

- elementary training programs for talents
- intermediate training programs for talents
- advanced training programs for talents

Training on professional skills

- training camps for marketing managers
- advanced training for technicians whose job is related with design and engineering cost
- training for key staffs of human resources and administration

Special training

- training for internal trainers
- training for interviewers
- induction training for new employees

Induction training for management trainees in 2018

Youth Excellence Training Camp

Details of employees training activities provided by the Group in 2018 are as follows:

Table 2 Training statistics of the Group by employee category in 2018

Gender	Employee category	Total number of employees (person)	Number of employees trained (person)	Percentage of employees trained (%)	Average hours of trainings provided (h)	Total training hours (h)
Male	Common staff	3,814	3,723	98%	27.6	105,240.8
	Manager	198	188	95%	22.3	4,422.0
	Leader	20	17	85%	21.3	425.5
Female	Common Staff	2,174	2,131	98%	23.6	51249.4
	Manager	85	76	89%	25.4	2,161.0
	Leader	16	15	94%	25.6	409.5

Note: average hours of training provided = total training hours/total number of employees.

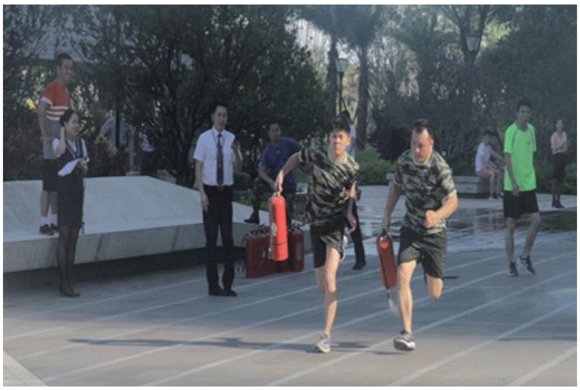
To protect the career development rights of employees, pursuant to the administrative measures for employee performance, the Group conducts unified performance appraisals and interviews at the end of each year, and provides employees with corresponding promotion incentives according to their actual work performance and comprehensive performance. Meanwhile, the Group has in place an internal mechanism of competition and promotion for posts and conducts annual employment renewal for appointments, so that the terms of appointment of persons-in-charge of operating units and staff at above levels in general will not be over three years to ensure staff at all levels a fair, open and justifiable opportunity to compete for posts. The Group also advocates employees to actively participate in internal promotion according to the relevant requirements. It is stipulated that all operating unites should support employees to go for internal promotion without barriers. By conducting annual employment renewal for appointments, the Group provides employees with equal opportunities for competition for posts and rapid promotions. The Group also offers re-designation of posts for unqualified employees in time to ensure the vitality of the Group.

3. Occupational health and safety

Health and safety of employees is an important guarantee for the smooth operation of enterprises. The Group abides by the requirements of the laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Law of the People's Republic of China on Work Safety, strictly implements and supervises the safety management of the working environment, and provides employees with a comfortable and safe working environment.

The Group arranges for employees to take regular physical examinations each year and provides a health care services platform for employees to facilitate them and their immediate family members to seek medical treatment. Through cultural activities, sports and fitness activities organised by the Party Brunch and the Labor Unions, the Group enhances communication with employees, helps employees release work and life pressures, and promotes employees' physical and mental health. Meanwhile, in accordance with the relevant regulations, safety design of 2 shelter floors is carried out in the office building where the Group's headquarters is located. The Group carries out promotion and education on fire safety related knowledge and fire drills to ensure the safety of the employees' working environment.

Employee fire safety drill



In respect of construction safety, the Group follows a three-level safety management structure, a four-level safety system framework and a four-level safety inspection system. The Group requires the internal units and external contractors to comply with the standards including "Standards for Safe and Civilized Construction" and "Standards for Safe and Civilized Construction for Fine Decorations" formulated by C&D Real Estate, to provide a systematic guarantee for safety management of construction sites, regulations on safety construction, safety management responsibilities as well as prevention and handling of safety incidents.

The Group actively cooperated with the government's safety management inspections. In addition, the Group strictly carries out self-inspection on construction safety in accordance with the requirements of the internal system including "Standards for Safe and Civilized Construction", and engaged third-party manufacturers to inspect project safety management to ensure construction safety in multiple ways. The Group's construction safety inspection clauses are divided into three levels: one-vote veto clause, red clause, and general clause, depending on the degree of danger and importance. Among them, the one-vote veto clause is mainly for foundation pit support, monitoring, tower crane, inspection and acceptance and use permit of construction elevator, tall model and hanging basket inspection. Contractors will not pass safety inspection when there is any problem with the one-vote veto clause. The Group clarifies the contractor's project safety construction responsibility in the bidding documents and the bidding contract, and requires the construction unit to implement the established safety protection measures and strengthen the safety promotion and supervision of construction workers; before commencement of construction works, contractors are required to purchase insurance that insures the life and property of its own personnel and the third-party personnel in construction sites and covers all engineering risks. During the reporting period, there is no work related death records of employees of the Group and no loss of working days caused by work-related injuries.

Promotion slogans on safety awareness

4. Anti-Child and Forced Labour

The Group sets up a strict approval procedure for labour employment. Before employment, documents of applicants should undergo strict inspection. Applicants are required to provide certificates issued by local police stations of their registered residence when necessary. Unified information inspection will be conducted within one month after new employees join the Group. Employee information checks (e.g. age) will be conducted one month thereafter to avoid effectively any irregularities such as employment of child labour.

The Group also complies with the principle of equal and voluntary labour employment. When signing contracts or agreements with employees, the Group will completely and accurately convey necessary information such as working salary, working location and so on in order to avoid forced labour. During the reporting period, the Group has not identified any employment of child or forced labour.

IX. ENVIRONMENTAL MANAGEMENT

The Group strictly compliances with the laws or regulations related to environmental protection, such as the Environment Protection Law of the People's Republic of China. The Group continues to improve the efficiency of resource and energy use in operations and reduce toxic emissions to the natural environment such as water and air by ways of promoting green operation, green construction and green buildings. Moreover, the Group pays attention to the conservation of natural resources including animals, plants, water and land etc., strives to minimize the impact of business operation on the environment and achieve a balance between economic benefit and environmental benefits.

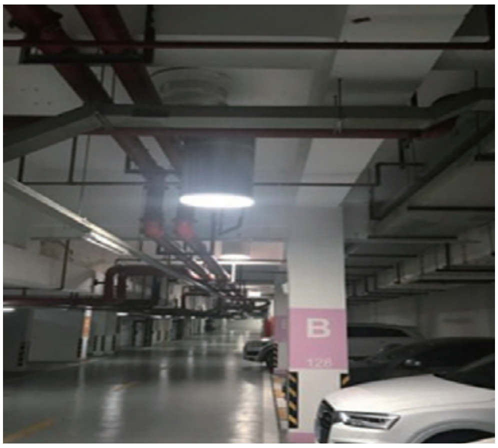
The water used in the Groups' offices, construction sites and operations mainly comes from the water supply of the municipal pipe network. Consumption of water and the impact of operational activities on water environment are minimized by the means of using energy-saving and water-saving equipment, renovating the green irrigation system, design of rainwater and sewage diversion, configurating grey water recycling system. The application of specific measures is explained in the following sections.

1. Green office and green operations

In 2018, the Group engaged professional energy-saving companies to carry out energy-saving renovation of the air-conditioning system, lighting system and power distribution system of its headquarters office building. Ordinary lightings have been replaced with LED energy-saving lamps and intelligent light control system was adopted. EOS energy optimization system is incorporated into the air-conditioning chillers while the condensed water from the cooling system has been collected and recycled for other use. With the implementation of the above measures, the Group is able to reduce 20% of the energy consumption after the renovation. Meanwhile, power detection system is used to monitor the electricity consumption of the building in real time. The Group also establishes a three-level management mechanism to compile the energy consumption report on a monthly basis and analyses the causes of abnormal electricity consumption timely, so as to improve the refined management of the building's energy consumption..

The Group implements measures such as paperless office system and use of double-sided paper to reduce the consumption of office paper. Meanwhile, the Group requires relevant departments to collect and pack the waste paper and shredded paper that cannot be reused, and recycle it by the recycling company uniformly to reduce the impact of paper consumption on the environment.

The Group values the creation of a green and environmentally friendly working environment and atmosphere. In the construction of hardware facilities, environmental protection materials that meet the national standards are used as decoration materials for office premises. A number of plants are placed in the office area. Green irrigation facilities in public areas have undergone renovation to save water. The Group actively promotes the concept of environmental protection, encourages employees to use public transport, and actively participate in waste separation and recycling programs. Promotion slogans on energy-saving and water-saving are posted in the public areas to cultivate employees' awareness of energy conservation, emission reduction and environmental protection. Meanwhile, the Group implements measures such as renovation of energy-saving lighting, installation of lighting devices and photovoltaic power generation system in the property management projects to reduce energy consumption and reduce greenhouse gas emissions during the operation and management of property management projects.



Case: light wells for refraction of natural light are adopted in Xinjiangwan Jiayuan* (新江灣嘉苑) residence in Shanghai

- provide lighting for the underground garage with the principle of sunlight refraction. No other lighting devices are used in sunny days while the light wells have good lighting effects on rainy days

- adopt energy-saving and environmental-friendly lighting devices with relatively low maintenance costs.

2. Green construction

The Group abides by the "Environmental Protection Law of the People's Republic of China", "Regulations on Environmental Protection Management of Construction Projects" and other relevant laws or regulations, and implements the "Standards for Safe and Civilized Construction" and systems formulated by C&D Real Estate with an aim to achieve resource conservation during green construction and minimize the impact of construction activities on the environment.

The major measures adopted by the Group to minimize the impact of construction activities on the local environment include:

Reduction in material consumption	Noise reducion
▪ Promote the application of aluminum mold climbing frame, reduce the use of wood molds and traditional steel pipe scaffolds through repeated use of aluminum molds, reduce material loss and reduce the consumption of forest resources	▪ Establish a management and inspection system for construction sites, strict control of construction during night time, and comply with the local environmental noise standards ▪ noise reduction for construction facilities

Dust control	Water saving
▪ carry out enclosure construction ▪ promote dust monitoring system and atomizing spraying to reduce dust ▪ tire washing before construction vehicles exit the construction sites	▪ design of rainwater and sewage diversion system ▪ domestic sewage are pumped to septic tanks and sedimentation tanks for treatment before discharging ▪ promote grey water recycling system to reduce consumption of water resources by green irrigation and dust control

3. Green buildings

By promoting and implementing the relevant requirements of the national "Evaluation Standard for Green Building GB/T 50378-2014", the Group actively promotes green buildings with an aim to minimize the energy consumption and resources consumption of building and achieve a green and low-carbon lifestyle without affecting the living comfort of residents. As of 31 December 2018, there were a total of 22 green buildings certification projects of the Group in design phrase, accounting for 71% of the total projects. The Group will explore and promote green buildings certification in operation phrase in future. Please refer to table 3 for details of green buildings certification.

Table 3 Number of the Group's green buildings certification projects in design phase as of 31 December 2018

Standards for green buildings	Number of projects
One-star	17
Two-star	5
Three-star	0
Total	22

The Group adheres to the principle of "adopting measures to local conditions, passive priority, life cycle", and always pays attention to the integration of green technologies from early planning and design to the later operations. The green technologies applied by the Group's construction projects include: passive energy saving technologies through optimizing design of building orientation and structure; active energy saving technologies such as using highly-efficient energy-saving equipment and solar photovoltaic lighting; water saving measures such as setting rainwater harvesting system and adopting green irrigation technology with the use of micro-irrigation which reduces water consumption by 50% as compared with traditional irrigation technology.

Jianfa Yangzhu, a two-star green building in Taicang, Suzhou

- Passive energy saving through building orientation, layout and structural optimization
- Adopt energy saving devices such as energy saving lighting and energy saving elevators
- Install solar water heating system to provide solar hot water to 256 households, with usage of solar hot water reaches 20% of total hot water consumption
- Using drainage systems that can achieve rain-sewage diversion and sewage-wastewater confluence, and non-traditional water recycling system. Carry out rational planning for discharge, recycling, treatment and utilization of rainwater and sewage systems
- Reduce material consumption and environmental impact with high-performance structural materials and reusable building materials

4. Environmental Key Performance Indicators (KPI)

The 2018 Environmental Key Performance Indicators calculated by the Group in accordance with the ESG Reporting Guide are shown in Table 4 below:

Table 4 2018 Environmental Key Performance Indicators of the Group

No.	Environmental Key Performance Indicators	Unit	Usage/emission
A1.1	Sulfur dioxide	kilogram	1.11
	Nitrogen oxides	kilogram	18.32
	Particulate matter	kilogram	1.31
A1.2	Greenhouse gas emissions (Scope 1)	tonnes	92.76
	Greenhouse gas removals (Scope 1)	tonnes	38.39
	Greenhouse gas emissions (Scope 2)	tonnes	3,748.97
	Total net greenhouse gas emissions (Scope 1 and 2)	tonnes	3,803.34
A1.3	Hazardous wastes	tonnes	0.14
A1.4	Non-hazardous wastes	tonnes	8,288.00
A2.1	Petrol	litre	26,898.92
	Diesel	litre	50,290.00
	Liquefied petroleum gas	kilogram	2,840.00
	Electricity consumption	kilowatt hour	4,618,328.56
	Direct energy consumption	GJ	2,802.77
	Indirect energy consumption	GJ	16,625.98
	Total energy consumption	GJ	19,428.76
	Energy intensity	GJ/income of RMB10,000	0.029
—	Office paper consumption	kilogram	4,808.00
A2.2	Water consumption	m^3	108,971.80
	Water consumption intensity	m^3/income of RMB10,000	0.164

Notes to 2018 Environmental Data:

(1) Time scope of the data: 1 January 2018 to 31 December 2018;

(2) Scope of data: compare with 2017, this report continually discloses the environmental KPI of Zhangzhou Panhua Industrial Company Limited（漳州泛華實業有限公司）and Changsha Zhaoyue Real Estate Company Limited（長沙兆悅房地產有限公司）, and additionally discloses the environmental KPI of 2 new projects of Suzhou Zhaoxiang Real Estate Development Company Limited（蘇州兆祥房地產開發有限公司）and Fujian Zhaohe Property Development Company Limited（福建兆和房地產有限公司). The aggregate revenue of these 4 projects accounted for 53.6% of the Group's total revenue. Data covers energy consumption of project office areas, sales offices, non-outsourced staff canteens and project construction process;

(3) Non-hazardous wastes were mainly construction wastes. Emission was the result of the use of vehicles. Greenhouse gas emissions (Scope 1) were mainly due to energy consumption of fixed sources such as cooking stoves and moving vehicles and greenhouse gas emissions (Scope 2) were generated from purchased electricity;

(4) Emission factors of greenhouse gas of purchased electricity are based on the Ministry of Ecology and Environment's "China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017". Other emission factors are based on the "ESG Reporting Guide" of the Hong Kong Stock Exchange;

(5) The types of energy consumed by the Group included diesel used by backup generators, liquefied petroleum gas used in cooking stoves, purchased electricity and petrol and diesel used by vehicles. Energy consumption coefficient refers to the national GB2589-2008T General Principles of Comprehensive Energy Consumption Calculation (GB2589–2008T綜合能耗計算通則);

(6) Energy intensity= Total energy consumption/operating income; water intensity =water consumption/operating income; of which, scope of statistics of operating income is line with the scope of environmental data collection.

X. COMMUNITY INVOLVEMENT

The Group actively responds to the national calls and pays attention to the needs of harmonious development of the society. The Group has been continuously putting efforts and resources in areas including sports competitions, environmental protection and poverty relief etc, so as to shoulder the corporate social responsibilities.

1. Sports competitions

The Group focuses on conveying the concept of universal fitness and green health. The Group organizes residential owners and customers to participate in joyful sports competitions very year. In October 2018, the Group participated in the Jianfa Happy Run in Hefei held jointly by C&D Corporation and C&D Real Estate to spread the positive energy of health, happiness and friendship to the public through the Happy Run.

2. Environmental protection activities

The Group understands that the ecological environment is a key element for sustainable economic and social development. In 2018, the Group actively launched diversified environmental activities for residential owners by C&D Real Estate's "Diamond Club" member service platform.

Promotion activities on waste separation within communities

The Group actively responds to the national calls on waste separation. Waste separation working groups are established in communities such as Hupowan in the Central Bay Area with property services centers managers as persons-in-charge, with an aim to carry out promotion activities on waste separation within communities.

"Let Us Guard our Beautiful Earth Together (美麗地球，我們一起守護)" Environmental Collage Activity

The Group strongly believes that the solution to the waste problem relies on public participation. To enhance public awareness on waste separation and recycling, the Group organized "Let Us Guard our Beautiful Earth Together (美麗地球，我們一起守護)" Environmental Collage Activity in September 2018 to encourage residential owners to make derivative works out of household recyclable waste. Their creative works were uploaded to "Diamond Club" member service platform to enroll in the national"Waste and Life" contest. The Group received a total of 87 outstanding works and selected 30 works for the online voting session. Residential owners of the top 10 works with highest scores in the online voting session received "Climate Justice Ambassador" certificate, issued jointly by the United Nations Program and the Plant-for-the-Planet Foundation and a surprise gift from the Diamond Club.

Ecological restoration activities of mangrove on Eyu Island

Typhoon Meranti, the 14th typhoon in 2016, wreaked havoc in Xiamen, destroyed 62% of mangrove on Eyu Island and caused severe damage to the island's ecosystem. In order to help restore the mangrove ecosystem of Eyu Island, the Group developed the Mangrove Interactive Charity Game through the "Diamond Club" member service platform. Members can redeem virtual mangrove seedlings with points on the "Diamond Club" member service platform. The Group will plant one mangrove seedling on Eyu Island for every 20 virtual mangrove seedlings planted online. At present, there are 11,862 virtual mangrove seedlings planted online by members. As follow-ups, the Group will take pictures of the mangrove seedlings planted on Eyu Island to show members the restoration of mangrove through the "Diamond Club".

Mangrove Interactive Charity Game on the "Diamond Club" interface

3. Charity funds' poverty relief activities

The Group actively participates in the relief work initiated by C&D Real Estate Charity Fund (the "Fund", a fund established by C&D Real Estate under the Xiamen Charity Federation), for providing assistance to families with difficulties, underprivileged students and orphans. Details of the Group's participation in charity activities in 2018 are as follows:

- On 5 February 2018, the Group participated in the home visit activity "Warm Heart — C&D Real Estate Charity Fund Home Visits to Families with Difficulties in New Year (暖心助困 — 建發房產慈善基金新春慰問困難家庭活動)" held by the Fund in Lianhua Town, Tong'an District, to provide consolation money and gifts to 200 families with difficulties to offer them with a warm, peaceful and happy Chinese New Year.

- On 23 August 2018, the Group participated in the 2018 donation activity, "WHERE THERE IS LOVE THERE IS A WAY. LET DREAMS FLY (有愛就有路 • 讓夢前行)" held by C&D Corporation and C&D Real Estate to provide financial assistance to students. 35 student representatives in poverty were awarded with education grants by C&D Real Estate and Xiamen Charity Federation.

Grant Thornton
致同

To the members of C&D International Investment Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of C&D International Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 110 to 239, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Business combinations under common control
Refer to note 2.2 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The merger accounting for business combinations under common control comprised the acquisitions of Changsha Zhaoxi Real Estate Development Company Limited; Taicang Jianjin Real Estate Development Company Limited; Nanning Dingchi Real Estate Development Company Limited; Nanning Qinghe Real Estate Development Company Limited; Huijia (Xiamen) Property Management Company Limited and its subsidiary; Yijiayuan (Xiamen) Property Management Company Limited; Xiamen Jiafu Investment Company Limited and its subsidiaries; Suzhou Zhaokun Property Development Company Limited; Longyan Lirui Real Estate Development Company Limited; Jian'ou Fayun Real Estate Company Limited; Jian'ou Zhongheng Real Estate Company Limited, Jian'ou Jiajing Real Estate Company Limited and Xiamen Zaijia Yiju Information Technology Co., Ltd (the "Target Companies"). We have identified the acquisitions as a key audit matter because of its financial significance to the consolidated financial statements and because the acquisitions significantly affected the composition of the Group's businesses and activities.	Our procedures in relation to the acquisitions included: — read the related share purchase agreements and other transaction documents entered into by the Group to assess the accounting implications of the acquisitions to the consolidated financial statements; — checked the shareholding structures of the Group and the Target Companies to confirm they were under common control; — assessed if the acquisitions fulfilled the requirements of business combination under common control for applying merger accounting; — tested balances of the assets and liabilities as at 1 January 2017 and 31 December 2017 included in the financial statements under merger accounting for the business combinations; — compared the accounting policies of the Target Companies against the Group and assessing the appropriateness of the nature and amount of adjustments made; — agreed the carrying amounts of the income, expenses, assets and liabilities of the Target Companies as at 31 December 2017 and for the year then ended, which have been reflected in the restated comparative figures of the Group's consolidated financial statements, to the audited combined financial statements of the Target Companies for the year ended 31 December 2017 and obtained independent audit evidences on material opening balances of the Target Companies as we considered necessary; and — reviewed and assessed the accuracy and completeness of the consolidation adjustments made.

KEY AUDIT MATTERS *(CONTINUED)*

Valuation of inventories of properties and other contract costs
Refer to note 22 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had inventories of properties and other contract costs amounting to approximately RMB49,933,592,000, representing approximately 79.5% of the total assets of the Group. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Accordingly the valuation of inventories of properties and other contract costs is considered to be a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgement associated with determining the net realisable value.	Our procedures in relation to management's valuation of inventories of properties and other contract costs included: — assessed the reasonableness of the assumptions basis for impairment assessment and tested the calculation for the impairment assessment performed by management; — compared the carrying amounts of the properties under development taking into account the estimated amounts to completion with the related net realisable value; and — compared the estimated selling price to the prevailing market price of the comparable properties with similar size, usage and location.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

20 March 2019

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000 (Restated — note 2.2) (Note)
Revenue	5	**12,371,415**	4,778,846
Cost of sales		**(8,256,257)**	(3,188,124)
Gross profit		**4,115,158**	1,590,722
Other net gain	7	**209,877**	46,936
Gain on changes in fair value of investment properties	17	**5,309**	9,330
Administrative expenses		**(151,560)**	(47,042)
Selling expenses		**(595,617)**	(337,681)
Finance costs	8	**(517,462)**	(185,825)
Share of profits/(losses) of associates	18	**19,928**	(5,963)
Share of profits of a joint venture		**4,128**	–
Profit before income tax	9	**3,089,761**	1,070,477
Income tax expense	10	**(1,511,859)**	(467,429)
Profit for the year		**1,577,902**	603,048
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**2,199**	(14,244)
Total comprehensive income for the year		**1,580,101**	588,804
Profit for the year attributable to:			
— Equity holders of the Company		**1,420,446**	527,813
— Holders of perpetual bonds		**90,969**	96,320
— Non-controlling interests		**66,487**	(21,085)
		1,577,902	603,048
Total comprehensive income for the year attributable to:			
— Equity holders of the Company		**1,422,934**	513,422
— Holders of perpetual bonds		**90,969**	96,320
— Non-controlling interests		**66,198**	(20,938)
		1,580,101	588,804
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	12	**RMB1.93**	RMB1.18
— Diluted	12	**RMB1.85**	RMB1.01

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.

The notes on pages 117 to 239 form part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out on note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (Restated — note 2.2) (Note)	1 January 2017 RMB'000 (Restated — note 2.2) (Note)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**113,067**	99,438	95,476
Land use rights	16	**95,936**	99,556	103,176
Investment properties	17	**1,238,730**	642,330	682,130
Interests in associates	18	**1,776,251**	227,530	38,988
Interest in a joint venture	19	**45,405**	46,747	50,024
Other non-current financial assets	20	**309,040**	123,000	–
Deposits for acquisitions of land use rights	25	**64,166**	64,166	64,166
Deferred tax assets	31	**873,924**	304,057	39,226
		4,516,519	1,606,824	1,073,186
Current assets				
Inventories of properties and other contract costs	22			
— Properties under development		**48,070,624**	22,527,422	10,703,720
— Properties held for sale		**1,731,691**	720,742	45,491
— Other contract costs		**131,277**	–	–
Trade and other receivables	23	**2,393,643**	2,201,354	402,024
Amounts due from related companies	28	**–**	11,731	–
Amounts due from non-controlling interests	28	**483,474**	–	–
Deposits for acquisitions of land use rights	25	**710,810**	4,786,511	1,923,134
Prepaid taxes		**189,475**	181,745	73,386
Cash at banks and on hand	26	**4,547,441**	1,985,195	691,736
		58,258,435	32,414,700	13,839,491
Total assets		**62,774,954**	34,021,524	14,912,677
Current liabilities				
Trade and other payables	27	**4,437,317**	1,753,783	1,013,750
Advances received from the pre-sale of properties under development and properties held for sale		**–**	6,184,791	2,334,876
Contract liabilities	24	**13,084,951**	–	–
Amounts due to related companies	28	**1,196,079**	6,231,326	1,175,422
Amounts due to non-controlling interests	28	**3,617,765**	1,724,746	269,631
Interest-bearing borrowings	30	**1,554,077**	258,240	3,236
Income tax liabilities		**1,606,328**	489,283	42,086
		25,496,517	16,642,169	4,839,001
Net current assets		**32,761,918**	15,772,531	9,000,490
Total assets less current liabilities		**37,278,437**	17,379,355	10,073,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (Restated — note 2.2) (Note)	1 January 2017 RMB'000 (Restated — note 2.2) (Note)
Non-current liabilities				
Loans from intermediate holding companies	28	**16,082,145**	4,981,163	5,534,983
Receipts under securitisation arrangements	29	**3,518,800**	1,250,000	–
Interest-bearing borrowings	30	**6,794,530**	5,691,273	540,000
Deferred tax liabilities	31	**278,916**	171,779	174,109
		26,674,391	12,094,215	6,249,092
Total liabilities		**52,170,908**	28,736,384	11,088,093
Net assets		**10,604,046**	5,285,140	3,824,584
EQUITY				
Share capital	32	**61,532**	61,532	35,219
Reserves	33	**6,032,490**	2,826,346	1,638,798
Equity attributable to the equity holders of the Company		**6,094,022**	2,887,878	1,674,017
Perpetual bonds	34	**–**	2,000,000	2,000,000
Non-controlling interests		**4,510,024**	397,262	150,567
Total equity		**10,604,046**	5,285,140	3,824,584

SHI Zhen
Director

ZHAO Chengmin
Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.

The notes on pages 117 to 239 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated) (Note)
Cash flows from operating activities			
Profit before income tax		**3,089,761**	1,070,477
Adjustments for:			
Amortisation of land use rights	9	**3,620**	3,620
Depreciation of property, plant and equipment	9	**19,325**	17,053
Gain on changes in fair value of investment properties	17	**(5,309)**	(9,330)
Gain on changes in fair value of financial assets measured at FVTPL	7	**(12,890)**	–
Gain on disposal of investment properties	7	**–**	(2,150)
Gain on disposal of a subsidiary	7	**(8,828)**	–
Write off of property, plant and equipment	9	**1,113**	437
Provision for impairment loss of trade and other receivables	9	**4,292**	57
Provision for inventories of properties and other contract costs	9	**48,335**	–
Interest expense	8	**517,462**	185,825
Interest income	7	**(154,438)**	(16,581)
Share of (profits)/losses of associates	18	**(19,928)**	5,963
Share of profits of a joint venture		**(4,128)**	–
Operating profit before working capital changes		**3,478,387**	1,255,371
Increase in inventories of properties and other contract costs		**(19,802,509)**	(11,466,326)
Increase in deposit paid for acquisition of land use right		**(710,810)**	(3,329,577)
Decrease/(Increase) in trade and other receivables		**587,370**	(1,497,006)
(Decrease)/Increase in trade and other payables		**(655,760)**	493,053
Increase in contract liabilities/advances received from the pre-sale of properties under development and properties held for sale		**7,154,703**	3,849,915
Increase in restricted bank deposits		**(287,323)**	(549,671)
Cash used in operations		**(10,235,942)**	(11,244,241)
Income tax paid		**(878,405)**	(400,551)
Net cash used in operating activities		**(11,114,347)**	(11,644,792)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(27,386)**	(24,606)
Proceeds from disposal of investment properties		**–**	51,280
Payment for interests in associates		**(104,500)**	(26,683)
Increase in loans to associates		**(1,179,293)**	(167,822)
Decrease/(Increase) in amounts due from related companies		**11,731**	(11,731)
Increase in amounts due from non-controlling interests		**(483,474)**	–
Dividend received from investment in a joint venture		**7,672**	–
Net cash outflow on acquisition of subsidiaries	39	**(911,240)**	(46,419)
Interest received	7	**154,438**	16,581
Payment for investment in financial assets		**(203,000)**	(123,000)
Net cash outflows on disposal of a subsidiary	41	**(298,113)**	–
Payment for additional interest in subsidiary without change of control		**(170,000)**	–
Consideration paid for acquisitions of subsidiaries pursuant to a group reorganisation	2.2	**(449,771)**	(635,829)
Net cash used in investing activities		**(3,652,936)**	(968,229)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000 (Restated) (Note)
Cash flows from financing activities			
Issuance of share capital, net of transaction costs		**–**	743,161
Proceeds from new borrowings	43	**5,845,185**	5,489,000
Repayments of borrowings	43	**(3,241,137)**	(99,959)
Addition of loans from intermediate holding companies	43	**73,578,528**	30,467,082
Repayment of loans from an intermediate holding company	43	**(62,477,546)**	(31,020,902)
Capital contribution from non-controlling interests		**835,030**	226,600
Increase in amounts due to related companies	43	**2,210,130**	6,069,301
Increase in amounts due to non-controlling interests	43	**9,943,851**	1,813,211
Repayments of amounts due to related companies	43	**(6,232,137)**	(1,488,350)
Repayments of amounts due to non-controlling interests	43	**(5,352,656)**	(422,709)
Dividends paid to non-controlling interests		**(9,612)**	(1,699)
Dividends paid to former shareholders of subsidiaries		**(297,000)**	(2,800)
Dividends paid		**(180,618)**	(37,737)
Interest paid		**(418,468)**	(161,024)
Acquisition of subsidiaries under common control		**–**	210,272
Proceeds from issued perpetual convertible bond	33	**2,666,100**	442,850
Distributions to holders of perpetual convertible bond		**–**	(13,902)
Distributions to holders of perpetual bonds	34	**(90,969)**	(96,320)
Proceed from receipts under securitisation arrangements	43	**3,771,471**	1,250,000
Repayments of receipts under securitisation arrangements	43	**(1,502,671)**	–
Redemption of perpetual bonds	34	**(2,000,000)**	–
Net cash from financing activities		**17,047,481**	13,366,075
Net increase in cash and cash equivalents		**2,280,198**	753,054
Cash and cash equivalents as at 1 January		**1,390,160**	646,372
Effect of foreign exchange rates changes on cash and cash equivalents		**(5,275)**	(9,266)
Cash and cash equivalents as at 31 December	26	**3,665,083**	1,390,160

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.

The notes on pages 117 to 239 form part of these consolidated financial statements.

	Equity attributable to the equity holders of the Company											
	Share capital RMB'000	Perpetual convertible bond* RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Exchange reserve* RMB'000	Capital reserve* RMB'000	Revaluation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Perpetual bonds RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017, as previously reported	35,219	–	431,997	25,993	6,484	645,302	2,692	447,008	1,594,695	–	190,884	1,785,579
Effect of business combinations under common control (note 2.2)	–	–	–	5,000	–	69,319	–	5,003	79,322	2,000,000	(40,317)	2,039,005
Balance at 1 January 2017, as restated	35,219	–	431,997	30,993	6,484	714,621	2,692	452,011	1,674,017	2,000,000	150,567	3,824,584
Total comprehensive income for the year, as restated												
Profit for the year	–	–	–	–	–	–	–	527,813	527,813	96,320	(21,085)	603,048
Other comprehensive income												
— Currency translation differences	–	–	–	–	(14,391)	–	–	–	(14,391)	–	147	(14,244)
Total comprehensive income, as restated	–	–	–	–	(14,391)	–	–	527,813	513,422	96,320	(20,938)	588,804
Transactions with owners, as restated												
Issuance of share capital, net of transaction costs (note 32(b))	16,494	–	726,667	–	–	–	–	–	743,161	–	–	743,161
Issuance of perpetual convertible bond (note 32(c))	–	442,850	–	–	–	–	–	–	442,850	–	–	442,850
Distributions to holders of perpetual convertible bond (note 32(c))	–	–	(13,902)	–	–	–	–	–	(13,902)	–	–	(13,902)
Distributions to holders of perpetual bonds (note 34)	–	–	–	–	–	–	–	–	–	(96,320)	–	(96,320)
Conversion of perpetual convertible bond (note 32(c))	9,819	(442,850)	433,031	–	–	–	–	–	–	–	–	–
2016 final dividend approved and paid (note 11)	–	–	(37,737)	–	–	–	–	–	(37,737)	–	–	(37,737)
Dividend paid to former shareholders of subsidiaries	–	–	–	–	–	–	–	(2,800)	(2,800)	–	–	(2,800)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	226,600	226,600
Acquisition of subsidiaries (note 39)	–	–	–	–	–	–	–	–	–	–	37,156	37,156
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,699)	(1,699)
Business combinations under common control (note 2.2)	–	–	–	–	–	(431,133)	–	–	(431,133)	–	5,576	(425,557)
Transfer to statutory reserve	–	–	–	74,471	–	–	–	(74,471)	–	–	–	–
Total transactions with owners, as restated	26,313	–	1,108,059	74,471	–	(431,133)	–	(77,271)	700,439	(96,320)	267,633	871,752
Balance at 31 December 2017, as restated	61,532	–	1,540,056	105,464	(7,907)	283,488	2,692	902,553	2,887,878	2,000,000	397,262	5,285,140

	Equity attributable to the equity holders of the Company											
	Share capital RMB'000	Perpetual convertible bond* RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Exchange reserve* RMB'000	Capital reserve* RMB'000	Revaluation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	Perpetual bonds RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018, as previously reported	61,532	–	1,540,056	71,939	(7,907)	1,601	2,692	730,478	2,400,391	–	612,282	3,012,673
Effect of business combinations under common control (note 2.2)	–	–	–	33,525	–	281,887	–	172,075	487,487	2,000,000	(215,020)	2,272,467
Balance at 1 January 2018, as restated	61,532	–	1,540,056	105,464	(7,907)	283,488	2,692	902,553	2,887,878	2,000,000	397,262	5,285,140
Impact on initial application of HKFRS 9 (note 3)	–	–	–	–	–	–	–	(2,553)	(2,553)	–	(167)	(2,720)
Impact on initial application of HKFRS 15 (note 3)	–	–	–	–	–	–	–	44,587	44,587	–	5,559	50,146
Balance at 1 January 2018, as adjusted	61,532	–	1,540,056	105,464	(7,907)	283,488	2,692	944,587	2,929,912	2,000,000	402,654	5,332,566
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	1,420,446	1,420,446	90,969	66,487	1,577,902
Other comprehensive income												
— Currency translation differences	–	–	–	–	2,488	–	–	–	2,488	–	(289)	2,199
Total comprehensive income	–	–	–	–	2,488	–	–	1,420,446	1,442,934	90,969	66,198	1,580,101
Transactions with owners												
Issuance of perpetual convertible bond (note 33)	–	2,666,100	–	–	–	–	–	–	2,666,100	–	–	2,666,100
Redemption of perpetual bonds (note 34)	–	–	–	–	–	–	–	–	–	(2,000,000)	–	(2,000,000)
Distributions to holders of perpetual bonds (note 34)	–	–	–	–	–	–	–	–	–	(90,969)	–	(90,969)
2017 final dividend approved and paid (note 11)	–	–	(180,618)	–	–	–	–	–	(180,618)	–	–	(180,618)
Capital contribution from non-controlling interests (note 21)	–	–	–	–	–	–	–	–	–	–	4,049,176	4,049,176
Acquisition of subsidiaries (note 39)	–	–	–	–	–	–	–	–	–	–	171,574	170,574
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,612)	(9,612)
Dividends paid to former shareholders of subsidiaries	–	–	–	–	–	–	–	(297,000)	(297,000)	–	–	(297,000)
Business combinations under common control (note 2.2)	–	–	–	–	–	(441,736)	–	–	(441,736)	–	(4,536)	(446,272)
Change in ownership interests in subsidiary without change of control (note 44)	–	–	–	–	–	443	–	–	443	–	(170,443)	(170,000)
Transfer to statutory reserve	–	–	–	75,983	–	–	–	(75,983)	–	–	–	–
Others	–	–	–	–	–	–	–	(6,013)	(6,013)	–	6,013	–
Total transactions with owners	–	2,666,100	(180,618)	75,983	–	(441,293)	–	(378,996)	1,741,176	(2,090,969)	4,041,172	3,691,379
Balance at 31 December 2018	61,532	2,666,100	1,359,438	181,447	(5,419)	(157,805)	2,692	1,986,037	6,094,022	–	4,510,024	10,604,046

* These reserve accounts comprise the Group's reserves of RMB6,032,490,000 (2017: RMB2,826,346,000 (restated)) in the consolidated statement of financial position.

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018 under the transaction methods chosen, comparative information is not restated, see note 3.

The notes on pages 117 to 239 form part of these consolidated financial statements.

1. GENERAL INFORMATION

C&D International Investment Group Limited (the "Company") was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law (Cap 22 of the Cayman Islands). The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The listing of the Company's shares has been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 May 2014 after their initial listing on GEM of the Stock Exchange.

The Company's functional currency is Hong Kong Dollars ("HK$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group's transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of RMB ("RMB'000"), unless otherwise stated.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 21 to the consolidated financial statements.

Well Land International Limited ("Well Land") is the Company's immediate holding company which was incorporated in the British Virgin Islands ("BVI") with limited liability and Xiamen C&D Corporation Limited ("Xiamen C&D") which was incorporated in the People's Republic of China ("PRC") with limited liability is the Company's ultimate holding company.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 20 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 110 to 239 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group"), if any, are disclosed in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis, except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment properties (see note 2.9)

— financial assets at fair value through profit and loss (note 2.10)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Common control combinations

The acquisitions of subsidiaries under common control have been accounted for using merger accounting. The acquisition method of accounting is used to account for the acquisition of subsidiaries not under common control.

Under merger accounting, the net assets of the combining entities or businesses are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

During the year, Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司) ("Xiamen Yi Yue") and Xiamen C&D Property Management Service Company Limited* (廈門建發物業管理服務有限公司) ("C&D Property"), indirect wholly-owned subsidiaries of the Company have entered into the following agreements (the "Transactions"):

(i) Xiamen Yi Yue entered into an equity transfer agreement with a fellow subsidiary, Xiamen Jianhui Real Estate Development Company Limited* (廈門建匯房地產開發有限公司) ("Xiamen Jianhui"), pursuant to which Xiamen Jianhui agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司) ("Changsha Zhaoxi") at a total cash consideration of RMB51,131,000 ("Changsha Zhaoxi Acquisition"). The acquisition was completed on 25 June 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

(ii) Xiamen Yi Yue entered into an equity transfer agreement with an intermediate holding company, C&D Real Estate Corporation Limited* (建發房地產集團有限公司) ("C&D Real Estate"), pursuant to which C&D Real Estate agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Taicang Jianjin Real Estate Development Company Limited* (太倉建晉房地產開發有限公司) ("Taicang Jianjin") at a total cash consideration of RMB54,344,000 ("Taicang Jianjin Acquisition"). The acquisition was completed on 3 July 2018.

(iii) Xiamen Yi Yue entered into an equity transfer agreement with a fellow subsidiary, C&D Real Estate Corporation Nanning Limited* (建發房地產集團南寧有限公司) ("C&D Nanning"), pursuant to which C&D Nanning agreed to sell and Xiamen Yi Yue agreed to purchase 51% equity interests in Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司) ("Nanning Dingchi") at a total cash consideration of RMB3,562,000 ("Nanning Dingchi Acquisition"). The acquisition was completed on 3 July 2018.

(iv) Xiamen Yi Yue entered into an equity transfer agreement with C&D Nanning, pursuant to which C&D Nanning agreed to sell and Xiamen Yi Yue agreed to purchase 51% equity interests in Nanning Qinghe Real Estate Development Company Limited* (南寧市慶和房地產開發有限責任公司) ("Nanning Qinghe") at a total cash consideration of RMB30,632,000 ("Nanning Qinghe Acquisition"). The acquisition was completed on 19 June 2018.

Details of Changsha Zhaoxi Acquisition, Taicang Jianjin Acquisition, Nanning Dingchi Acquisition and Nanning Qinghe Acquisition have been set out in the Company's announcement dated 16 January 2018 and circular dated 20 April 2018.

(v) C&D Property entered into an equity transfer agreement with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and C&D Property agreed to purchase 100% equity interests in Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) and its subsidiary ("Huijia Group") at a total cash consideration of RMB37,580,000 ("Huijia Acquisition"). The acquisition was completed on 11 July 2018.

(vi) C&D Property entered into an equity transfer agreement with C&D Real Estate and a fellow subsidiary, Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) ("Xiamen Liyuan"), pursuant to which C&D Real Estate and Xiamen Liyuan agreed to sell and C&D Property agreed to purchase 100% equity interests in Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司) and its subsidiaries ("Yijiayuan Group") at a total cash consideration of RMB75,893,000 ("Yijiayuan Acquisition"). The acquisition was completed on 11 July 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

Details of Huijia Acquisition and Yijiayuan Acquisition have been set out in the Company's announcement dated 3 April 2018 and circular dated 20 June 2018.

(vii) Xiamen Yi Yue entered into an equity transfer agreement with a fellow subsidiary, Xiamen Jiacheng Investment Development Company Limited* (廈門嘉誠投資發展有限公司) ("Xiamen Jiacheng"), pursuant to which Xiamen Jiacheng agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Xiamen Jiafu Investment Company Limited* (廈門嘉富投資有限公司) ("Xiamen Jiafu") at a total cash consideration of RMB40,145,000. Details of the Xiamen Jiafu Acquisition have been set out in the Company's announcement dated 28 June 2018 ("Xiamen Jiafu Acquisition"). The acquisition was completed on 23 July 2018.

(viii) Xiamen Yi Yue entered into an equity transfer agreement with fellow subsidiaries, C&D Real Estate Corporation Shanghai Company Limited* (建發房地產集團上海有限公司) and Xiamen Zhaoshang Property Company Limited* (廈門兆尚置業有限公司) (together, the "Vendors"), pursuant to which the Vendors agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Suzhou Zhaokun Property Development Company Limited* (蘇州兆坤房地產開發有限公司) ("Suzhou Zhaokun") at a total cash consideration of RMB75,984,000 ("Suzhou Zhaokun Acquisition"). The acquisition was completed on 26 December 2018.

(ix) Xiamen Yi Yue entered into an equity transfer agreement with a fellow subsidiary, Xiamen Jianrui Real Estate Development Company Limited* (廈門建瑞房地產開發有限公司) ("Xiamen Jianrui"), pursuant to which Xiamen Jianrui agreed to sell and Xiamen Yi Yue agreed to purchase 100% equity interests in Longyan Lirui Real Estate Development Company Limited* (龍岩利瑞房地產開發有限公司) ("Longyan Lirui") at a total cash consideration of RMB50,123,000 ("Longyan Lirui Acquisition"). The acquisition was completed on 24 December 2018.

(x) Xiamen Yi Yue entered into an equity transfer agreement with a fellow subsidiary, Jianyang Jiasheng Property Development Company Limited* (建陽嘉盛房地產有限公司) ("Jianyang Jiasheng"), pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 75% equity interests in Jian'ou Fayun Real Estate Company Limited* (建甌發雲房地產有限公司) ("Jian'ou Fayun") at a total cash consideration of RMB25,208,000 ("Jian'ou Fayun Acquisition"). The acquisition was completed on 29 December 2018.

(xi) Xiamen Yi Yue entered into an equity transfer agreement with Jianyang Jiasheng, pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 75% equity interests in Jian'ou Zhongheng Real Estate Company Limited* (建甌中恒房地產有限公司) ("Jian'ou Zhongheng") at a total cash consideration of RMB4,160,000 ("Jian'ou Zhongheng Acquisition"). The acquisition was completed on 29 December 2018.

(xii) Xiamen Yi Yue entered into an equity transfer agreement with Jianyang Jiasheng, pursuant to which Jianyang Jiasheng agreed to sell and Xiamen Yi Yue agreed to purchase 70% equity interests in Jian'ou Jiajing Real Estate Company Limited* (建甌嘉景房地產有限公司) ("Jian'ou Jiajing") at a total cash consideration of RMB496,000 ("Jian'ou Jiajing Acquisition"). The acquisition was completed on 27 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

Details of Suzhou Zhaokun Acquisition, Longyan Lirui Acquisition, Jian'ou Fayun Acquisition, Jian'ou Zhongheng Acquisition and Jian'ou Jiajing Acquisition have been set out in the Company's announcement dated 23 October 2018 and circular dated 24 November 2018.

(xiii) On 26 December 2018, C&D Property entered into an equity transfer agreement with a fellow subsidiary, Xiamen Pinchuan Real Estate Consultant Co., Ltd.* (廈門品傳置業顧問有限公司) ("Xiamen Pinchuan"), pursuant to which Xiamen Pinchuan agreed to sell and C&D Property agreed to purchase 100% equity interests in Xiamen Zaijia Yiju Information Technology Co., Ltd* (廈門在家怡居信息科技有限公司) ("Xiamen Zaijia Yiju") at a total cash consideration of RMB513,000 ("Xiamen Zaijia Yiju Acquisition"). The acquisition was completed on 26 December 2018.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

In preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, it was determined that the Group and Changsha Zhaoxi, Taicang Jianjin, Nanning Dingchi, Nanning Qinghe, Huijia Group, Yijiayuan Group, Xiamen Jiafu, Suzhou Zhaokun, Longyan Lirui, Jian'ou Fayun, Jian'ou Zhongheng, Jian'ou Jiajing and Xiamen Zaijia Yiju (the "Target Companies") were under the common control of the same substantial shareholder, Xiamen C&D, before and after the Transactions, and that control is not transitory. The Group and the Target Companies were regarded as continuing entities as at the respective dates of business combinations and hence the Transactions were accounted for as business combinations of entities under common control by applying the principles of merger accounting as if the Target Companies had occurred on the date when the combining entities first came under the control of the substantial shareholder.

The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the acquisitions had been completed at the beginning of the earliest period presented.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the years ended 31 December 2018 and 2017 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under common control of the substantial shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 and 1 January 2017 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the substantial shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Transactions.

Equity interests in subsidiaries and/or businesses held by parties other than the substantial shareholder prior to the Transactions are presented as non-controlling interests in equity in applying the principles of merger accounting.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

The effect of the common control combinations on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 is as follows:

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
Revenue	3,237,677	1,542,974	(1,805)	4,778,846
Cost of sales	(2,173,296)	(1,015,664)	836	(3,188,124)
Gross profit	1,064,381	527,310	(969)	1,590,722
Other net gain	43,556	3,641	(261)	46,936
Gain on changes in fair value of investment properties	9,330	–	–	9,330
Administrative expenses	(34,716)	(12,326)	–	(47,042)
Selling expenses	(207,787)	(129,894)	–	(337,681)
Finance costs	(97,726)	(88,360)	261	(185,825)
Share of (losses)/profits of associates	(954)	158,341	(163,350)	(5,963)
Loss on disposal of a subsidiary	–	(10)	10	–
Gain on deemed disposal of a subsidiary	–	24,691	(24,691)	–
Profit before income tax	776,084	483,393	(189,000)	1,070,477
Income tax expense	(316,624)	(151,047)	242	(467,429)
Profit for the year	459,460	332,346	(188,758)	603,048
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(14,244)	–	–	(14,244)
Total comprehensive income for the year	445,216	332,346	(188,758)	588,804

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
Profit for the year attributable to:				
— Equity holders of the Company	329,416	332,262	(133,865)	527,813
— Holders of perpetual bonds	–	96,320	–	96,320
— Non-controlling interests	130,044	(96,236)	(54,893)	(21,085)
	459,460	332,346	(188,758)	603,048
Total comprehensive income for the year attributable to:				
— Equity holders of the Company	315,025	332,262	(133,865)	513,422
— Holders of perpetual bonds	–	96,320	–	96,320
— Non-controlling interests	130,191	(96,236)	(54,893)	(20,938)
	445,216	332,346	(188,758)	588,804
Earnings per share for profit attributable to the equity holders of the Company				
— Basic	RMB0.73			RMB1.18
— Diluted	RMB0.63			RMB1.01

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

The effects of common control combinations described above on the consolidated statements of financial position as at 31 December 2017 and 1 January 2017 are as follows:

31 December 2017

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	64,892	34,546	–	99,438
Land use rights	290	99,266	–	99,556
Investment properties	642,330	–	–	642,330
Investment in subsidiaries	–	8,495	(8,495)	–
Interests in associates	211,003	289,804	(273,277)	227,530
Interest in a joint venture	46,747	–	–	46,747
Other non-current financial assets	63,000	60,000	–	123,000
Deposits for acquisitions of land use rights	64,166	–	–	64,166
Deferred tax assets	255,327	48,488	242	304,057
	1,347,755	540,599	(281,530)	1,606,824
Current assets				
Inventories of properties and other contract costs				
— Properties under development	13,641,712	8,885,710	–	22,527,422
— Properties held for sale	681,100	39,642	–	720,742
Trade and other receivables	2,081,407	119,947	–	2,201,354
Amount due from related companies	–	11,731	–	11,731
Deposits for acquisition of land use rights	3,301,680	1,484,831	–	4,786,511
Prepaid taxes	176,089	5,656	–	181,745
Cash at banks and on hand	1,626,866	358,329	–	1,985,195
	21,508,854	10,905,846	–	32,414,700
Total assets	22,856,609	11,446,445	(281,530)	34,021,524

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
Current liabilities				
Trade and other payables	1,005,816	747,967	–	1,753,783
Advances received from the pre-sale of properties under development and properties held for sale	5,618,545	566,246	–	6,184,791
Amount due to related companies	582,123	5,649,482	(279)	6,231,326
Amount due to non-controlling interests	1,455,650	269,096	–	1,724,746
Interest-bearing borrowings	248,240	10,000	–	258,240
Income tax liabilities	329,932	159,351	–	489,283
	9,240,306	7,402,142	(279)	16,642,169
Net current assets	12,268,548	3,503,704	279	15,772,531
Total assets less current liabilities	13,616,303	4,044,303	(281,251)	17,379,355

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
Non-current liabilities				
Loans from intermediate holding companies	4,981,163	–	–	4,981,163
Receipts under securitisation arrangements	–	1,250,000	–	1,250,000
Interest-bearing borrowings	5,451,273	240,000	–	5,691,273
Deferred tax liabilities	171,194	585	–	171,779
	10,603,630	1,490,585	–	12,094,215
Total liabilities	19,843,936	8,892,727	(279)	28,736,384
Net assets	3,012,673	2,553,718	(281,251)	5,285,140
EQUITY				
Share capital	61,532	319,600	(319,600)	61,532
Reserves	2,338,859	233,760	253,727	2,826,346
Equity attributable to the equity holders of the Company	2,400,391	553,360	(65,873)	2,887,878
Perpetual bonds	–	2,000,000	–	2,000,000
Non-controlling interests	612,282	358	(215,378)	397,262
Total equity	3,012,673	2,553,718	(281,251)	5,285,140

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

The effects of common control combinations described above on the consolidated statements of financial position as at 31 December 2017 and 1 January 2017 are as follows (continued):

1 January 2017

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	72,464	23,012	–	95,476
Land use rights	301	102,875	–	103,176
Investment properties	682,130	–	–	682,130
Investment in subsidiaries	–	8,495	(8,495)	–
Interests in associates	38,988	95,000	(95,000)	38,988
Interest in a joint venture	50,024	–	–	50,024
Deposits for acquisitions of land use rights	64,166	–	–	64,166
Deferred tax assets	28,598	10,628	–	39,226
	936,671	240,010	(103,495)	1,073,186
Current assets				
Inventories of properties and other contract costs				
— Properties under development	6,445,262	4,258,458	–	10,703,720
— Properties held for sale	45,491	–	–	45,491
Trade and other receivables	20,144	381,880	–	402,024
Deposits for acquisition of land use rights	466,200	1,456,934	–	1,923,134
Prepaid taxes	51,028	22,358	–	73,386
Cash at banks and on hand	631,282	60,454	–	691,736
	7,659,407	6,180,084	–	13,839,491
Total assets	8,596,078	6,420,094	(103,495)	14,912,677

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
Current liabilities				
Trade and other payables	316,041	697,709	–	1,013,750
Advances received from the pre-sale of properties under development and properties held for sale	1,183,782	1,151,094	–	2,334,876
Amounts due to related companies	–	1,175,422	–	1,175,422
Amounts due to non-controlling interests	226,872	42,759	–	269,631
Interest-bearing borrowings	3,236	–	–	3,236
Income tax liabilities	27,751	14,335	–	42,086
	1,757,682	3,081,319	–	4,839,001
Net current assets	5,901,725	3,098,765	–	9,000,490
Total assets less current liabilities	6,838,396	3,338,775	(103,495)	10,073,676
Non-current liabilities				
Loans from intermediate holding companies	4,339,197	1,195,786	–	5,534,983
Interest-bearing borrowings	540,000	–	–	540,000
Deferred tax liabilities	173,620	489	–	174,109
	5,052,817	1,196,275	–	6,249,092
Total liabilities	6,810,499	4,277,594	–	11,088,093
Net assets	1,785,579	2,142,500	(103,495)	3,824,584

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Common control combinations *(Continued)*

	The Group before common control combinations RMB'000	Subsidiaries acquired RMB'000	Adjustments RMB'000	The Group after common control combinations RMB'000 (As restated)
EQUITY				
Share capital	35,219	129,600	(129,600)	35,219
Reserves	1,559,476	10,943	68,379	1,638,798
Equity attributable to the equity holders of the Company	1,594,695	140,543	(61,221)	674,017
Perpetual bonds	–	2,000,000	–	2,000,000
Non-controlling interests	190,884	1,957	(42,274)	150,567
Total equity	1,785,579	2,142,500	(103,495)	3,824,584

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Basis of consolidation *(Continued)*

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Business combinations

Acquisitions of subsidiaries and businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition — date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

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

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Associates and joint ventures *(Continued)*

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, 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 venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2.20). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of assets (other than construction in progress) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	2.5%
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 1/3%
Plant and machinery	9 to 20%
Motor vehicles	12.5 to 20%

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

2.8 Land use rights

Land use rights represent prepayments made to acquire land held under an operating lease. They are stated at costs less accumulated amortisation and any accumulated impairment losses (see note 2.20). The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories of properties and other contract costs, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial instruments

Policy applicable from 1 January 2018

Recognition and derecognition

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— amortised cost; or

— FVTPL.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses ("ECL") of trade receivables which is presented within "Administrative expenses".

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial instruments *(Continued)*

Policy applicable from 1 January 2018 (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Other net gain" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other net gain" in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial instruments *(Continued)*

Policy applicable from 1 January 2018 (Continued)

Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below. Financial assets are classified as loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at FVTPL, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial instruments *(Continued)*

Policy applicable from 1 January 2018 (Continued)

Financial liabilities

The Group's financial liabilities include trade and other payables, loans from intermediate holding companies, amounts due to associates, non-controlling interests, fellow subsidiaries and intermediate holding companies, interest-bearing borrowings and receipts under securitisation arrangements. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

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

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

Interest-bearing borrowings

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

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

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to associates, non-controlling interests, fellow subsidiaries and intermediate holding companies and loans from intermediate holding companies, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Receipts under securitisation arrangements

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets

Policy applicable from 1 January 2018

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets *(Continued)*

Policy applicable from 1 January 2018 (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 45.5.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets *(Continued)*

Policy applicable from 1 January 2018 (Continued)

Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Policy applicable before 1 January 2018

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial re-organisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data including but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets *(Continued)*

Policy applicable before 1 January 2018 (Continued)

(i) Financial assets carried at amortised cost *(Continued)*

If, in 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, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in the profit or loss in which the impairment occurs and are not reversed in subsequent periods.

Impairment losses of financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.12 Inventories of properties and other contract costs

(i) Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The costs of inventories of properties consist of land held under operating lease, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimated cost to completion and estimated selling expenses.

The amount of any write-down of inventories of properties to net realisable value is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories of properties is recognised as a reduction in the amount of inventories of properties recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Inventories of properties and other contract costs *(Continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2.12(i)) or property, plant and equipment (see note 2.7).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory or property, plant and equipment are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.19.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Contract assets, contract liabilities and contract costs

A contract asset is recognised when the Group recognises revenue (see note 2.19) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.11 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.10).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.19). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.10).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting periods as the date of entering into the contract.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.19).

2.15 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "Trade and other payables". 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 instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 Financial guarantees issued *(Continued)*

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.11 (applicable from 1 January 2018)/HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (before application of HKFRS 9 on 1 January 2018) and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.16 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2.9); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 2.7). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Leases *(Continued)*

(iii) Assets leased out under operating leases as the lessor (Continued)

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.18 Equity instruments

Perpetual bonds

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

Perpetual convertible bond

Perpetual convertible bond is convertible into a fixed number of ordinary shares of the Company and includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group. These securities are classified as equity instruments and are initially recognised at their fair value on the date of issuance and are not subsequently remeasured.

Share capital

Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Revenue and other income

Revenue arises mainly from the sale of properties and the provision of different kinds of services in the ordinary course of the Group's business.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Sale of properties*

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see note 2.14).

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the revenue recognition date. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23 "Borrowing costs" ("HKAS 23") in accordance with the policies set out in note 2.22.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Revenue and other income *(Continued)*

(i) *Sale of properties (Continued)*

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the consolidated statement of financial position under "Advances received from the pre-sale of properties under development and properties held for sale" and no interest expense was accrued on payments received in advance. As a result of the change in accounting policy for accruing interest on payments in advance, adjustments have been made to opening balances as at 1 January 2018 (see note 3).

(ii) *Services income from entrusted construction services and smart construction services*

For entrusted construction services and smart construction services for which the Group's performance does not create an asset with an alternative use to the customer and the Group has an enforceable right to payment for performance completed to date, 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 reporting date as a percentage of total estimated costs for each contract.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Building management income and property management income*

Building management income and property management income are recognised in the accounting period when the respective services are rendered.

(v) *Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) *Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.11).

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Impairment of non-financial assets

Property, plant and equipment, land use rights and interests in subsidiaries in the Company's statement of financial position are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro-rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manage a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF Scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Employee benefits *(Continued)*

Short-term employee benefits

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 reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.22 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Accounting for income taxes *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker, i.e. the executive directors, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major line of business.

The Group has five reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. All inter-segment transfers, if any, are carried out at arm's length prices. The following summary describes the operations in each of the Group's reportable segments:

Property development	— Construction and sales of residential units, commercial shops and car parking spaces;
Property management services	— Rendering of property management services (note i);
Commercial assets management	— Leasing of commercial units, residential units and commercial shops and rendering of building management services;
Entrusted construction services	— Rendering of management and construction services; and
Smart construction services	— Rendering of smart construction services.

Note: i) The Group had acquired a new business segment, "Property management services" from the business combination under common control. The comparative segment information has been restated accordingly.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating segments" are the same as those used in its financial statements prepared under HKFRSs, except for corporate income and expenses (including income tax expense) which are not directly attributable to the business activities of any operating segment and are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for unallocated associates, unallocated joint venture, unallocated deferred tax assets and unallocated corporate assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include unallocated taxation liabilities and deferred tax liabilities, which are not directly attributable to the business activities of any operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

  (ii) has significant influence over the Group; or

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

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

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

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

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

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

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

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

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

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRSs 2014–2016 Cycle
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. The Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Classification and measurement of financial assets and financial liabilities

On 1 January 2018, 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 categories of HKFRS 9.

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and FVTPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. As at 1 January 2018, the directors of the Group reviewed and assessed the Group's existing financial assets and liabilities for classification and measurement in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

HKFRS 9 "Financial Instruments" (Continued)

Impairment of financial assets

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

As at 1 January 2018, the directors of the Group reviewed and assessed the Group's existing financial assets measured at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the impact of financial assets under HKFRS 9 at the date of initial application, at 1 January 2018.

	Other non–current financial assets					
	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Deferred tax assets RMB'000	Trade and other receivables RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000
Carrying amount at 31 December 2017 under HKAS 39 (as restated)	–	123,000	304,057	2,201,354	902,553	397,262
Effect arising from initial application of HKFRS 9:						
— unlisted equity security	63,600	(63,000)	(150)	–	450	–
— subordinated tranche securities	28,820	(50,000)	–	–	–	–
— unlisted investment fund	10,000	(10,000)	–	–	–	–
— impairment under ECL model	–	–	1,053	(4,223)	(3,003)	(167)
Carrying amount at 1 January 2018 under HKFRS 9	102,420	–	304,960	2,197,131	900,000	397,095

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

HKFRS 9 "Financial instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

The Group had an unlisted investment fund, unlisted equity security and subordinated tranche securities which were classified as available-for-sale stated at cost less impairment under previous accounting standard HKAS 39. 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. Therefore, the unlisted investment funds, unlisted equity security and subordinated tranche securities are classified as financial assets measured at FVTPL. Any changes in the fair value are charged to present to profit or loss. As a result of the adoption of HKFRS 9, the unlisted investment fund, unlisted equity securities and subordinated tranche securities have been measured at fair value as at 1 January 2018. Other than that, there were no material impact on other financial instruments.

The Group applies the HKFRS 9 simplified approach to measure ECL which use a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for financial assets at amortised cost mainly comprise other receivables, amount due from related parties, amounts due from non-controlling interests, cash at banks and on hand are measured on 12-month ECL basis if there had been no significant increase in credit risk since initial recognition.

For other receivables, the management of the Group makes periodic collective as well as individual assessment on the recoverability based on historical settlement records, past experience and forward-looking information.

For cash and cash equivalents, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material.

As at 1 January 2018, based on assessment made by the management of the Group for trade and other receivables, the additional credit loss allowance of RMB4,223,000 and addition deferred tax assets of RMB1,053,000 have been recognised against retained earnings of RMB3,003,000 and non-controlling interests of RMB167,000. The additional loss allowance is charged against trade and other receivables.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract liability account balances between periods and key judgements and estimates. The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18 "Revenue" ("HKAS 18"). As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summaries the impact of transition to HKFRS 15 on retained earnings and the related items at 1 January 2018.

	Deferred tax assets RMB'000	Other contract costs RMB'000	Inventories of properties RMB'000	Advances received from the pre-sale of properties under development and properties held for sale RMB'000	Contract liabilities RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000
Carrying amount at 31 December 2017 under HKAS 18 (restated)	304,057	–	23,248,164	6,184,791	–	902,553	397,262
Effect arising from initial application of HKFRS 15:							
— capitalisation of sales commissions	(16,716)	66,862	–	–	–	44,587	5,559
— contract liabilities	–	–	–	(6,184,791)	6,184,791	–	–
— significant financing component	–	–	66,271	–	66,271	–	–
Carrying amount at 1 January 2018 under HKFRS 15	287,341	66,862	23,314,435	–	6,251,062	947,140	402,821

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

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

Further details of the nature and effect of the changes on previous accounting policies are set out in note 2.19 and below:

Timing of revenue recognition

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

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

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

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

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from property management services, entrusted construction services and smart construction services contracts.

The Group's property development activities are mainly carried out in PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales to be recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. The initial application of HKFRS 15 has no material impact on the timing of revenue recognised for contracts from property development in the PRC in the respective reporting periods upon its initial adoption.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

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

Significant financing component

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

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

As a result of this change in policy, the Group has made adjustments which increased inventories of properties and contract liabilities by approximately RMB66,271,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

Sales commissions payable related to property sales contracts

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

The Group recognises the incremental costs of obtaining a contract with a customer within other contract costs if the Group expects to recover those costs.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB66,862,000, decreased deferred tax assets by RMB16,716,000, increased retained earnings by RMB44,587,000 and increased non-controlling interests by RMB5,559,000 at 1 January 2018.

Presentation of contract liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15 that contract liabilities recognised in relation to property development activities were previously presented as advances received from the pre-sale of properties under development and properties held for sale. "Advances received form pre-sale of properties under development and properties held for sale" amounting to RMB6,184,791,000 were reclassified to contract liabilities.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

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

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)–(B) RMB'000
Line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenue	12,371,415	12,121,722	249,693
Cost of sales	(8,256,257)	(8,010,204)	(246,053)
Gross profit	4,115,158	4,111,518	3,640
Selling expenses	(595,617)	(656,391)	60,774
Profit before income tax	3,089,761	3,025,346	64,415
Income tax expense	(1,511,859)	(1,495,755)	(16,104)
Profit for the year	1,577,902	1,529,591	48,311
Profit for the year attributable to			
Equity holders of the Company	1,420,446	1,381,801	38,645
Non-controlling interests	66,487	56,821	9,666
Total comprehensive income for the year	1,580,101	1,531,790	48,311
Total comprehensive income for the year attributable to			
Equity holders of the Company	1,422,934	1,384,289	38,645
Non-controlling interests	66,198	56,532	9,666
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	RMB1.93	RMB1.88	RMB0.05
— Diluted	RMB1.85	RMB1.80	RMB0.05

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 *(Continued)*

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

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018 *(Continued)*

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)–(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Deferred tax assets	873,924	906,743	(32,819)
Non-current assets	4,516,519	4,549,338	(32,819)
Inventories of properties and other contract costs	49,933,592	49,650,769	282,823
Current assets	58,258,435	57,975,612	282,823
Total assets	62,774,954	62,524,951	250,003
Advance received from the pre-sale of properties under development and properties held for sale	–	(12,933,405)	12,933,405
Contract liabilities	(13,084,951)	–	(13,084,951)
Current liabilities	(25,496,517)	(25,344,972)	(151,545)
Net current assets	32,761,918	32,630,641	131,277
Total assets less current liabilities	37,278,437	37,179,979	98,458
Total liabilities	(52,170,908)	(52,019,363)	(151,545)
Net assets	10,604,046	10,505,588	98,458
Reserves	(6,032,490)	(5,982,343)	(50,147)
Equity attributable to the equity holders of the Company	(6,094,022)	(6,132,667)	38,645
Non-controlling interests	(4,510,024)	(4,519,690)	9,666
Total equity	(10,604,046)	(10,652,357)	48,311
Line items in the reconciliation of profit before income tax to cash generated from operations for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Profit before income tax	3,089,761	3,025,346	64,415
Increase in inventories of properties and other contract costs	(19,802,509)	(19,652,819)	(149,690)
Increase in contract liabilities/advance received from the pre-sale of properties under development and properties held for sale	7,154,703	7,069,428	85,275

The significant differences arise as a result of the changes in accounting policies described above.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Issued but not yet effective HKFRSs

The Group has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the current accounting period:

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

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective dates of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 16 "Leases"
HKFRS 16 "Leases" ("HKFRS 16") will replace HKAS 17 "Leases" ("HKAS 17").

As disclosed in note 2.16, currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Issued but not yet effective HKFRSs *(Continued)*

HKFRS 16 "Leases" (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 36, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB136,022,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years.

Upon the initial adoption of HKFRS 16, the Group plans to measure the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB59,642,000, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation reports, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

As at 31 December 2018, the fair value of investment properties was RMB1,238,730,000 (2017: RMB642,330,000 (restated)). For more details, please refer to note 17.

Estimated net realisable value of inventories of properties and other contract costs

Management reviews the net realisable value of inventories of properties and other contract costs at each reporting date. The net realisable value is the estimated selling price of the properties less estimated cost to complete and estimated costs to sell. Management determines the net realisable value of inventories of properties and other contract costs by using prevailing market data such as most recent sale transactions and market survey reports available from independent professional valuers and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions.

As at 31 December 2018, the carrying amount of the inventories of properties and other contract costs was RMB49,933,592,000 (2017: RMB23,248,164,000 (restated)) (note 22).

Income tax and deferred taxation

As detailed in note 10, the Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and assumptions *(Continued)*

Income tax and deferred taxation (Continued)

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred tax liabilities of approximately RMB2,284,999,000 (see note 31) would be provided as at 31 December 2018 (2017:RMB1,075,063,000 (restated)).

As at 31 December 2018, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB873,924,000 (2017: RMB304,057,000 (restated)) and RMB278,916,000 (2017: RMB171,779,000 (restated)), respectively (note 31).

PRC land appreciation tax

As detailed in note 10, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its LAT calculation and payments with any local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provision in periods in which such taxes have been finalised with local tax authorities.

4.2 Critical judgements in applying the entity's accounting policies

Control over Quanzhou Zhaoyue Property Co., Ltd.* (泉州兆悦置業有限公司, "Quanzhou Zhaoyue"), Longyan Hengfu Real Estate Development Company Limited* (龍岩恆富房地產開發有限公司, "Longyan Hengfu"), Nanjing Meiye Real Estate Development Co., Ltd.* (南京美業房地產發展有限公司, "Nanjing Meiye"), Lianjiang Zhaorui Real Estate Development Company Limited* (連江兆瑞房地產開發有限公司, "Lianjiang Zhaorui"), Taicang Yuzhou Yilong Real Estate Development Company Limited* (太倉禹洲益龍房地產開發有限公司, "Taicang Yuzhou Yilong").

Although the Group only holds 40% equity interests in each of Quanzhou Zhaoyue and Longyan Hengfu, 50% equity interests in Nanjing Meiye, 46% equity interests in Lianjiang Zhaorui and 30% equity interests in Taicang Yuzhou Yilong, the Group has the power to appoint and remove the majority members of the respective board of directors of those companies and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of those companies and therefore has control over those companies. As a result, those companies are classified as subsidiaries of the Company.

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

5. REVENUE

Revenue from the Group's principal activities recognised during the year is as follows:

	2018 RMB'000	2017 RMB'000 (Restated — Note 2.2)
Sales of properties	**11,516,938**	4,143,402
Commercial assets management income (note i)	**166,082**	143,227
Entrusted construction services income	**149,005**	51,711
Smart construction services income	**15,566**	21,173
Property management income	**523,824**	419,333
	12,371,415	4,778,846

Notes:

(i) Commercial assets management income mainly comprises rental income from property leasing of RMB138,365,000 (2017: RMB113,843,000 (restated)), which does not fall within the scope of HKFRS 15, and building management income of RMB24,113,000 (2017: RMB10,644,000 (restated)).

(ii) The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and has prepared in accordance with HKAS 18 (see note 2.19).

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's five business lines as operating segments as further described in note 2.24.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-maker for assessment of segment performance.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Smart construction services RMB'000	Total RMB'000
Year ended 31 December 2018						
Disaggregated by timing of revenue recognition:						
— Point in time	**11,516,938**	**–**	**–**	**–**	**–**	**11,516,938**
— Over time	**–**	**169,478**	**529,156**	**149,005**	**15,566**	**926,205**
	11,516,938	**169,478**	**529,156**	**149,005**	**15,566**	**12,443,143**
Inter-segment revenue	**–**	**(3,396)**	**(68,332)**	**–**	**–**	**(71,728)**
Revenue to external customers	**11,516,938**	**166,082**	**523,824**	**149,005**	**15,566**	**12,371,415**
Reportable segment profit before income tax	**2,828,896**	**70,983**	**55,072**	**140,976**	**1,419**	**3,097,346**
Other segment information:						
Interest income	**90,219**	**1,126**	**63,039**	**40**	**2**	**154,426**
Interest expense	**390,122**	**10,156**	**61,914**	**7,150**	**–**	**469,342**
Amortisation of land use rights	**–**	**3,620**	**–**	**–**	**–**	**3,620**
Gain on changes in fair value of investment properties	**–**	**5,309**	**–**	**–**	**–**	**5,309**
Depreciation of property, plant and equipment	**1,372**	**14,984**	**2,329**	**2**	**4**	**18,691**
Impairment loss on trade and other receivables	**3,158**	**709**	**154**	**5**	**266**	**4,292**
Provision for inventories of properties	**48,335**	**–**	**–**	**–**	**–**	**48,335**
Year ended 31 December 2017 (restated)						
Disaggregated by timing of revenue recognition:						
— Point in time	4,143,402	–	–	–	–	4,143,402
— Over time	–	146,151	421,138	51,711	21,173	640,173
	4,143,402	146,151	421,138	51,711	21,173	4,783,575
Inter-segment revenue	–	(2,924)	(1,805)	–	–	(4,729)
Revenue from external customers	4,143,402	143,227	419,333	51,711	21,173	4,778,846
Reportable segment profit before income tax	917,766	81,815	29,805	47,358	8,363	1,085,107
Other segment information:						
Interest income	14,861	1,253	46	16	2	16,178
Interest expense	185,739	–	–	–	–	185,739
Amortisation of land use rights	–	3,620	–	–	–	3,620
Gain on changes in fair value of investment properties	–	9,330	–	–	–	9,330
Depreciation of property, plant and equipment	320	14,107	2,067	–	–	16,494
Impairment loss on trade and other receivables	–	57	–	–	–	57

Note: The Group has initially applied HKFRS 15 using the accumulative effect method. Under this method, the comparative information is not restated and has prepared in accordance with HKAS 18 (see note 2.19).

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities

	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Smart construction services RMB'000	Total RMB'000
As at 31 December 2018						
Reportable segment assets	**61,160,099**	**1,425,067**	**99,006**	**7,713**	**10,016**	**62,701,901**
Reportable segment liabilities	**(50,232,426)**	**(547,754)**	**(1,359,584)**	**(7,931)**	**(4,986)**	**(52,152,681)**
Other segment information:						
Additions to non-current assets (other than financial instruments and deferred tax assets) during the year	**19,857**	**592,933**	**4,926**	**70**	**6**	**617,792**
Interests in associates	**1,765,066**	**–**	**–**	**–**	**–**	**1,765,066**
As at 31 December 2017 (restated)						
Reportable segment assets	32,967,406	805,976	87,646	18,293	4,895	33,884,216
Reportable segment liabilities	(28,419,454)	(218,841)	(17,396)	(50,765)	(4,146)	(28,710,602)
Other segment information:						
Additions to non-current assets (other than financial instruments and deferred tax assets) during the year	18,583	3,971	2,040	–	–	24,594
Interests in associates	214,535	–	–	–	–	214,535

Note: The Group has initially applied HKFRS 15 using the accumulative effect method. Under this method, the comparative information is not restated and has prepared in accordance with HKAS 18 (see note 2.19).

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(Continued)*

The reconciliation between the Group's operating segments and the Group's key financial figures are as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Reportable segment revenue	**12,443,143**	4,783,575
Inter-segment revenue elimination	**(71,728)**	(4,729)
Consolidated revenue to external customers	**12,371,415**	4,778,846
Reportable segment profit before income tax	**3,097,346**	1,085,107
Unallocated interest income	**12**	403
Unallocated interest expenses	**(48,120)**	(86)
Unallocated share of losses of associates	**(1,811)**	(954)
Unallocated share of profits of joint venture	**4,128**	–
Unallocated income and expenses	**38,840**	(13,434)
Unallocated depreciation	**(634)**	(559)
Consolidated profit before income tax	**3,089,761**	1,070,477
Reportable segment assets	**62,701,901**	33,884,216
Unallocated associates	**11,185**	12,995
Unallocated joint venture	**45,405**	46,747
Unallocated deferred tax assets	**786**	39
Unallocated corporate assets	**15,677**	77,527
Total consolidated assets	**62,774,954**	34,021,524

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(Continued)*

	2018 RMB'000	2017 RMB'000 (Restated)
Reportable segment liabilities	**(52,152,681)**	(28,710,602)
Unallocated taxation liabilities	**–**	(506)
Unallocated deferred tax liabilities	**–**	(793)
Unallocated withholding tax liabilities	**(14,633)**	(14,633)
Unallocated corporate liabilities	**(3,594)**	(9,850)
Total consolidated liabilities	**(52,170,908)**	(28,736,384)

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, interests in associates, other non-current financial assets, deposits for acquisitions of land use rights, inventories of properties and other contract costs, trade and other receivables, amounts due from non-controlling interests, restricted bank deposits, cash at banks and on hand, and prepaid taxes.

Segment liabilities consist primarily of advances received from the pre-sale of properties under development and properties held for sale, contract liabilities, trade and other payables, loans from intermediate holding companies, amounts due to non-controlling shareholders and related companies, interest-bearing borrowings, receipts under securitisation arrangements and deferred tax liabilities.

As chief operating decision-maker of the Group considers most of the Group's revenue and results are attributable to the market in the PRC, the Group's assets are substantially located inside the PRC, no geographical information is presented.

For the years ended 31 December 2018 and 2017, the Group did not depend on any single customer under each of the segments, no single customer with whom transactions have exceeded 10% of the Group's revenue.

7. OTHER NET GAIN

	2018 RMB'000	2017 RMB'000 (Restated)
Interest income from:		
— banks	**85,144**	16,508
— loans to associates	**35,069**	73
— financial assets at amortised cost	**11,480**	–
— others	**22,745**	–
	154,438	16,581
Compensation income	**11,733**	8,484
Gain on changes in fair value of financial assets measured at FVTPL (note 45.7)	**12,890**	–
Gain on disposal of investment properties	**–**	2,150
Gain on disposal of a subsidiary (note 41)	**8,828**	–
Sundry income	**21,988**	19,721
	209,877	46,936

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000 (Restated)
Interest charges on:		
Bank borrowings	**685,061**	173,610
Loans from intermediate holding companies	**840,175**	464,976
Amounts due to non-controlling interests	**164,355**	45,456
Receipts under securitisation arrangements	**179,812**	5,906
Significant financing component of contract liabilities	**334,968**	–
Total borrowing costs	**2,204,371**	689,948
Less: Interest capitalised	**(1,686,909)**	(504,123)
	517,462	185,825

Borrowing costs have been capitalised at various applicable rates ranging from 4.35% to 7.3% per annum (2017: 4.51% to 8% per annum (restated)).

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018 **RMB'000**	2017 RMB'000 (Restated) (Note)
Amortisation of land use rights	**3,620**	3,620
Auditor's remuneration	**1,127**	773
Cost of properties sold	**7,446,361**	2,708,126
Depreciation of property, plant and equipment	**19,325**	17,053
Written off of property, plant and equipment	**1,113**	437
Impairment loss on trade and other receivables	**4,292**	57
Net foreign exchange gain	**(6,213)**	(1,862)
Operating lease charges	**19,074**	16,663
Outgoings in respect of investment properties that generated rental income	**2,002**	4,038
Provision for inventories of properties and other contract costs	**48,335**	–

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.

10. INCOME TAX EXPENSE

	Note	**2018** **RMB'000**	2017 RMB'000 (Restated)
Current income tax			
PRC corporate income tax			
— Current year		**1,023,672**	481,794
— Over provision in respect of prior years		**(1,388)**	(45)
		1,022,284	481,749
PRC LAT		**967,392**	257,640
		1,989,676	739,389
Deferred tax	31	**(477,817)**	(271,960)
Total income tax expense		**1,511,859**	467,429

10. INCOME TAX EXPENSE *(CONTINUED)*

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit before income tax	**3,089,761**	1,070,477
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**779,348**	268,851
Tax effect of non-deductible expenses	**2,357**	1,673
Tax effect of unrecognised tax losses	**–**	1,151
Tax effect on LAT charges	**(243,643)**	(63,056)
LAT charges	**967,392**	257,640
Utilisation of tax loss previously not recognised	**(268)**	–
(Over)/Under provision in respect of prior years	**(1,388)**	(45)
Others	**8,061**	1,215
Income tax expense	**1,511,859**	467,429

Notes:

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2018 and 2017.

(b) PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC corporate income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2017: 25%) for the year ended 31 December 2018.

(c) PRC LAT

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

(d) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

10. INCOME TAX EXPENSE *(CONTINUED)*

Notes: *(Continued)*

(e) Cayman Islands corporate tax

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any corporate tax in Cayman Islands for the years ended 31 December 2018 and 2017.

(f) British Virgin Islands profits tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended 31 December 2018 and 2017.

(g) Australia profits tax

No Australia profits tax has been provided as the Group did not derive any assessable profit arising in Australia during the years ended 31 December 2018 and 2017.

11. DIVIDENDS

(a) Dividends attributable to the year

	2018 **RMB'000**	2017 RMB'000
Proposed final dividend of HK$1.20 dollars per ordinary share (2017: HK$0.30 dollars)	**772,667**	180,618

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2018 **RMB'000**	2017 RMB'000
Final dividend in respect of the previous financial year, of HK$0.30 dollars per ordinary share (2017: HK$0.10 dollars)	**180,618**	37,737

12. EARNINGS PER SHARE

(A) Basic Earnings per Share

Basic earnings per share is calculated by adjusting the profit for the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit for the year attributable to the equity holders of the Company	**1,420,446**	527,813
Distributions to holders of perpetual convertible bond	**–**	(13,902)
Profit used to determine basic earnings per share	**1,420,446**	513,911
Weighted average number of ordinary shares in issue (thousands)	**734,865**	434,585
Earnings per share (expressed in RMB per share)	**RMB1.93**	RMB1.18

12. EARNINGS PER SHARE *(CONTINUED)*

(B) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: perpetual convertible bond. The perpetual convertible bond are assumed to have been converted into ordinary shares.

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit for the year attributable to the equity holders of the Company	**1,420,446**	527,813
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	**734,865**	434,585
Effect of dilutive potential ordinary shares:		
Perpetual convertible bond	**30,943**	89,977
Weighted average number of ordinary shares in issue (thousands)	**765,808**	524,562
Earnings per share (expressed in RMB per share)	**RMB1.85**	RMB1.01

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 **RMB'000**	2017 RMB'000 (Restated)
Salaries, wages and other benefits	**697,798**	399,614
Contributions to defined contribution retirement plan	**33,442**	16,405
Less: Employee benefit expenses capitalised in properties under development	**(164,352)**	(71,411)
	566,888	344,608

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2018				
Executive directors:				
Mr. Zhuang Yuekai	**1,012**	**–**	**–**	**1,012**
Mr. Shi Zhen	**1,012**	**–**	**–**	**1,012**
Ms. Zhao Chengmin	**1,012**	**–**	**–**	**1,012**
	3,036	**–**	**–**	**3,036**
Non-executive directors:				
Ms. Wang Xianrong	**–**	**–**	**–**	**–**
Ms. Wu Xiaomin	**–**	**–**	**–**	**–**
Mr. Huang Wenzhou	**–**	**–**	**–**	**–**
Mr. Wong Chi Wai*	**152**	**–**	**–**	**152**
Mr. Wong Tat Yan, Paul*	**152**	**–**	**–**	**152**
Mr. Chan Chun Yee*	**152**	**–**	**–**	**152**
	456	**–**	**–**	**456**
Total emoluments	**3,492**	**–**	**–**	**3,492**

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2017				
Executive directors:				
Mr. Zhuang Yuekai	1,054	–	–	1,054
Mr. Shi Zhen	1,054	–	–	1,054
Ms. Zhao Chengmin	1,054	–	–	1,054
	3,162	–	–	3,162
Non-executive directors:				
Ms. Wang Xianrong	–	–	–	–
Ms. Wu Xiaomin	–	–	–	–
Mr. Huang Wenzhou	–	–	–	–
Mr. Wong Chi Wai*	158	–	–	158
Mr. Wong Tat Yan, Paul*	158	–	–	158
Mr. Chan Chun Yee*	158	–	–	158
	474	–	–	474
Total emoluments	3,636	–	–	3,636

* Independent non-executive directors

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(b) Five highest paid individuals

The five highest paid individuals in the Group do not include (2017: do not include) directors of the Company whose emoluments are included in the disclosures in note 14(a) above.

	2018	2017
	RMB'000	RMB'000
Salaries and benefits in kind	**15,656**	8,846
Retirement scheme contributions	**155**	142
	15,811	8,988

The above emoluments were within the following bands:

	No. of individuals	
	2018	2017
Emolument bands		
HK$2,000,001–HK$2,500,000	**–**	5
HK$2,500,001–HK$3,000,000	**2**	–
HK$3,000,001–HK$3,500,000	**1**	–
HK$4,000,001–HK$4,500,000	**1**	–
HK$6,000,001–HK$6,500,000	**1**	–
	5	5

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Three directors have agreed to waive the emoluments during the year (2017: three) and none of five highest paid individuals have waived or agreed to waive any emoluments during the year (2017: RMBNil).

(c) Senior management personnel

The emoluments paid or payable to members of senior management were within following bands:

	No. of individuals	
	2018	2017
Emolument bands		
Nil to HK$1,000,000	**9**	9
HK$1,000,001–HK$1,500,000	**3**	3

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Land and buildings RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017 (restated)							
Cost (restated)	14,985	13,408	69,850	17,296	1,115	7,295	123,949
Accumulated depreciation (restated)	–	(2,197)	(10,699)	(9,498)	(902)	(5,177)	(28,473)
Net book amount (restated)	14,985	11,211	59,151	7,798	213	2,118	95,476
Year ended 31 December 2017							
Opening net book amount (restated)	14,985	11,211	59,151	7,798	213	2,118	95,476
Additions	10,893	–	7,161	4,950	44	1,558	24,606
Disposals	–	–	–	(133)	(53)	(251)	(437)
Depreciation	–	(366)	(15,778)	(2,601)	(35)	(691)	(19,471)
Exchange differences	–	(714)	(16)	(6)	–	–	(736)
Closing net book amount (restated)	25,878	10,131	50,518	10,008	169	2,734	99,438
At 31 December 2017 and 1 January 2018 (restated)							
Cost (restated)	25,878	13,408	77,010	21,695	1,105	6,687	145,783
Accumulated depreciation (restated)	–	(3,277)	(26,492)	(11,687)	(936)	(3,953)	(46,345)
Net book amount (restated)	25,878	10,131	50,518	10,008	169	2,734	99,438
Year ended 31 December 2018							
Opening net book amount (restated)	**25,878**	**10,131**	**50,518**	**10,008**	**169**	**2,734**	**99,438**
Additions	**7,886**	**–**	**2,187**	**14,037**	**319**	**2,957**	**27,386**
Disposals and written off	**–**	**–**	**–**	**(808)**	**–**	**(305)**	**(1,113)**
Depreciation	**–**	**(351)**	**(17,784)**	**(4,211)**	**–**	**(1,321)**	**(23,667)**
Acquisition of subsidiaries (see note 39)	**–**	**–**	**10,288**	**235**	**–**	**–**	**10,523**
Exchange differences	**–**	**473**	**2**	**2**	**–**	**23**	**500**
Closing net book amount	**33,764**	**10,253**	**45,211**	**19,263**	**488**	**4,088**	**113,067**
At 31 December 2018							
Cost	**33,764**	**13,409**	**89,485**	**34,507**	**1,539**	**10,170**	**182,874**
Accumulated depreciation	**–**	**(3,156)**	**(44,274)**	**(15,244)**	**(1,051)**	**(6,082)**	**(69,807)**
Net book amount	**33,764**	**10,253**	**45,211**	**19,263**	**488**	**4,088**	**113,067**

The bank borrowings are secured by property, plant and equipment with a net book amount of approximately RMB10,219,000 (2017: RMB10,098,000) as at 31 December 2018 (note 30).

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Depreciation charges have been included in:

	2018 RMB'000	2017 RMB'000 (Restated)
Consolidated statement of financial position		
— Capitalised in inventories of properties and other contract costs	**4,342**	2,418
Consolidated statement of profit or loss and other comprehensive income		
— Cost of sales	**15,235**	15,284
— Selling expenses	**3,292**	771
— Administrative expenses	**798**	998
	19,325	17,053
	23,667	19,471

16. LAND USE RIGHTS

Land use rights represented land lease prepayments and the movements in the net carrying amounts are analysed as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Opening net carrying amount	**99,556**	103,176
Amortisation	**(3,620)**	(3,620)
Closing net carrying amount	**95,936**	99,556

The analysis of the net carrying amounts of land use rights according to lease periods are as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
In PRC:		
Leases of between 10 to 50 years	**95,936**	99,556

17. INVESTMENT PROPERTIES

Movements of the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2018 **RMB'000**	2017 RMB'000
Carrying amount at 1 January	**642,330**	682,130
Change in fair value of investment properties	**5,309**	9,330
Acquisition of subsidiaries (see note 39)	**591,091**	–
Disposal	**–**	(49,130)
Carrying amount at 31 December	**1,238,730**	642,330

The bank borrowings are secured by investment properties with a net book amount of approximately RMB596,000,000 (2017: Nil) as at 31 December 2018.

The analysis of the net carrying amounts of investment properties according to lease periods are as follows:

	2018 **RMB'000**	2017 RMB'000
In PRC:		
Leases of between 10 to 50 years	**1,238,730**	642,330

17. INVESTMENT PROPERTIES *(CONTINUED)*

Valuation process and methodologies

Investment properties were valued at 31 December 2018 and 2017 by an independent, professional qualified valuer, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who has the relevant experience in the location and category of properties being valued. There was no change to the valuation techniques during the year.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

Fair value hierarchy

Fair value adjustment of investment properties is recognised in the line item "Gain on changes in fair value of investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

The following table shows the Group's investment properties measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

	Fair value measurements categorised into Level 3 RMB'000
Recurring fair value measurement	
At 31 December 2018	
Investment properties	**1,238,730**
At 31 December 2017	
Investment properties	642,330

There were no transfers into or out of Level 3 during the year (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy in the reporting period in which they occur.

17. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy *(Continued)*

The fair value of investment properties is determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate and factors adjustment, and negatively correlated to capitalisation rate.

	Valuation techniques	Significant unobservable inputs	Range As at 31 December **2018**	2017
Investment properties (Nanning District)	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc (RMB/sq.m.)	**35–1,400**	35–1,300
		Capitalisation rate of reversionary income	**3.50%–7.25%**	3.50%–7.25%
Investment properties (Shanghai District)	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc (RMB/sq.m.)	**236–590**	–
		Capitalisation rate of reversionary income	**6.00%–6.50%**	–

18. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000 (Restated)
Unlisted shares, at cost	**428,665**	70,683
Unrealised profits (note 41)	**(8,482)**	–
Share of results of associates	**13,962**	(5,966)
	434,145	64,717
Loans to associates	**1,342,106**	162,813
	1,776,251	227,530

As at 31 December 2018, the loans to associates are unsecured, interest free and would not be repayable within one year, except for an amount of RMB1,274,365,000 (2017: RMB133,863,000) which is interest-bearing from 4.75% to 8% per annum (2017: 6% per annum).

18. INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are details of associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group:

Name	Form of business structure	Country/place of incorporation and operation	Particulars of issued and paid up capital	Proportion of effective interest held	Principal activities
Nanjing Jiayang Property Development Company Limited* (南京嘉陽房地產開發有限公司, "Nanjing Jiayang")	Corporation	PRC	RMB200,000,000	40% (2017: Nil)	Property development (Note (i))
Xiamen Yiwudi Real Estate Co., Ltd.* (廈門益武地置業有限公司, "Xiamen Yiwudi")	Corporation	PRC	RMB500,000,000	49% (2017: Nil)	Property development (Note (ii))
Wuhan Zhaoyuecheng Real Estate Development Company Limited* (武漢兆悅城房地產開發有限公司, "Wuhan Zhaoyuecheng")	Corporation	PRC	RMB50,000,000	49% (2017: Nil)	Property development (Note (iii))

* The English translation of the companies' name is for reference only. The official names of these companies are in Chinese.

All of the above associates are accounted for using equity method on the consolidated financial statement

Notes:

(i) On 14 March 2018, the Group and Jianyang Jiasheng, a fellow subsidiary of the Company, entered into an equity transfer agreement for the acquisition of 40% equity interests in Nanjing Jiayang with net assets value of approximately RMB200,000,000 at a cash consideration of RMB80,000,000.

(ii) During the year ended 31 December 2018, the Group and Wuhan Real Estate Holdings Limited ("Wuhan Real Estate"), an independent third party, entered into cooperation agreements for the formation of Xiamen Yiwudi for carrying out the property development business. The Group has subscribed 49% of the registered share capital of Xiamen Yiwudi at a cash consideration of RMB245,000,000 which had not been paid in cash at the reporting date. The Group has significant influence over Xiamen Yiwudi and it is classified as an associate and has been accounted for in the consolidated financial statements using equity method.

(iii) During the year ended 31 December 2018, the Group and Wuhan Chengkai Real Estate Development Company Limited ("Wuhan Chengkai"), an independent third party, entered into a cooperation agreement for the formation of Wuhan Zhaoyuecheng for carrying out the property development business. The Group has subscribed 49% of the registered share capital of Wuhan Zhaoyuecheng at a cash consideration of RMB24,500,000. The Group has significant influence over Wuhan Zhaoyuecheng and it is classified as an associate and has been accounted for in the consolidated financial statements using equity method.

All associates have a reporting date of 31 December.

18. INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the summarised financial information of the material associates, Wuhan Zhaoyuecheng, Nanjing Jiayang, and Xiamen Yiwudi and its subsidiary ("Xiamen Yiwudi Group"), which is accounted for using the equity method:

	31 December 2018		
	Wuhan Zhaoyuecheng RMB'000	Nanjing Jiayang RMB'000	Xiamen Yiwudi Group RMB'000
Current assets	1,110,285	1,392,571	2,513,811
Non-current assets	438	2,277	8,418
Current liabilities	(1,064,181)	(710,764)	(1,355,253)
Non-current liabilities	–	(504,870)	(686,000)
Net assets	46,542	179,214	480,976
Revenue	–	9	–
Other income	3	–	–
Total expenses	(4,613)	(14,591)	(24,399)
Loss before income tax	(4,610)	(14,582)	(24,399)
Income tax credits	1,153	50	6,046
Loss and total comprehensive expenses for the period	(3,457)	(14,532)	(18,353)

A reconciliation of the above summarised financial information to the carrying amount of investment in associates, Wuhan Zhaoyuecheng, Nanjing Jiayang, and Xiamen Yiwudi Group , are set out below:

	31 December 2018		
	Wuhan Zhaoyuecheng RMB'000	Nanjing Jiayang RMB'000	Xiamen Yiwudi Group RMB'000
Total net assets of associates	46,542	179,214	480,976
Proportion of ownership interests held by the Group	49%	40%	49%
	22,806	71,686	235,678
Elimination of unrealised profits (note 41)	–	–	(8,482)
Carrying amount of the investments in associates in the consolidated financial statements	22,806	71,686	227,196

18. INTERESTS IN ASSOCIATES *(CONTINUED)*

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**112,457**	64,717

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of those associates':		
Profit/(Loss) and total comprehensive income/(expense) for the year	**36,428**	(5,963)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

19. INTEREST IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Cost of investments in a joint venture	**44,590**	42,591
Share of post-acquisition reserves	**(3,595)**	(51)
	40,995	42,540
Loan to a joint venture	**4,410**	4,207
	45,405	46,747

The loan to a joint venture is unsecured, interest-free and would not be repayable within one year.

Particulars of the Group's unlisted joint venture as at 31 December 2018 and 2017 are as follows:

Name	Form of business structure	Country/place of incorporation and operation	Particulars of issued and paid up capital	Proportion of interest held	Principal activities
J-Bridge Investment Co., Ltd. ("J-Bridge")	Company	BVI	United States Dollar 25,000	50%	Investment holding

19. INTEREST IN A JOINT VENTURE *(CONTINUED)*

Aggregate information of joint venture that is not individually material:

	2018 **RMB'000**	2017 RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**40,995**	42,540
Aggregate amounts of the Group's share of the joint venture's: Profit and total comprehensive income for the year	**4,128**	–

20. OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Available-for-sale financial assets (note iv)			
Unlisted subordinated tranche security, at cost (note i)	**–**	–	50,000
Unlisted equity security, at cost (note ii)	**–**	–	63,000
Unlisted investment fund, at cost	**–**	–	10,000
	–	–	123,000
Financial assets at amortised cost			
Listed senior tranche security (note iii)	**100,000**	–	–
Debt investment	**3,000**	–	–
	103,000	–	–
Financial assets measured at fair value through profit or loss (note iv)			
Unlisted subordinated tranche securities (note i)	**124,540**	28,820	–
Unlisted equity securities (note ii)	**71,500**	63,600	–
Unlisted investment funds	**10,000**	10,000	–
	206,040	102,420	–
	309,040	102,420	123,000

20. OTHER NON-CURRENT FINANCIAL ASSETS *(CONTINUED)*

Notes:

(i) As at 31 December 2017 and 1 January 2018, the amount comprises a non-tradable zero coupon subordinated tranche security as stipulated in the receipts under securitisation arrangement of RMB50,000,000 and RMB28,820,000 respectively (notes 3 and 29). The maturity date is in July 2026. As at 31 December 2018, the amount comprises a RMB30,970,000 and RMB93,570,000 non-tradable zero coupon subordinated tranche securities as stipulated in the receipts under securitisation arrangements (note 29). The subordinated tranche securities will be matured in July 2026 and April 2020 respectively.

As initial application of HKFRS 9, loss arising from fair value adjustment of RMB21,180,000 has been recognised as at 1 January 2018.

(ii) Unlisted investment as at 31 December 2017 represented approximately 10.5% equity interest in Hangzhou Zhenlu Investment Company Limited (杭州臻祿投資有限公司)*, a company in the PRC.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of this unlisted investment as at 31 December 2018 and 2017.

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

As initial application of HKFRS 9, gain arising from fair value adjustment of RMB600,000 has been recognised against retained earnings of RMB450,000 and non-controlling interests of RMB150,000 as at 1 January 2018.

(iii) As at 31 December 2018, the amount comprises a RMB100,000,000 fixed coupon rate of 6.3% per annum of senior tranche security. The maturity date is in April 2020.

(iv) Available-for-sale financial assets were reclassified to financial assets at amortised cost and financial assets measured at fair value through profit or loss upon the initial application of HKFRS 9 at 1 January 2018 (note 3).

21. SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2018, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Xiamen Yi Yue Property Co., Ltd.* (廈門益悦置業有限公司)	Corporation	PRC 18 May 2015	RMB10,000,000	100% (2017: 100%)	Property investment and development business
Xiamen C&D Zhaocheng Construction Operations Management Co., Ltd.* (formerly known as Xiamen Zhaocheng Engineering Construction and Management Co. Ltd.) (廈門建發兆誠建設運營管理有限公司 (前稱為廈門兆誠工程建設管理有限公司))	Corporation	PRC 11 November 2015	RMB5,000,000	100% (2017: 100%)	Project construction and management
Changsha Zhaoyue Real Estate Co., Ltd.* (長沙兆悦房地產有限公司)	Corporation	PRC 7 September 2015	RMB50,000,000	100% (2017: 100%)	Property development
Shanghai C&D Zhaoyu Asset Management Company Limited* (formerly known as Shanghai Zhaoyu Asset Management Co., Ltd.) (上海建發兆昱資產管理有限公司 (前稱為上海兆昱資產管理有限公司)	Corporation	PRC 17 December 2015	RMB30,000,000	55% (2017: 55%)	Commercial assets management and operation
Xiamen Zhaohui Internet Technology Co. Ltd.* (廈門兆慧網絡科技有限公司)	Corporation	PRC 7 September 2015	RMB500,000	100% (2017: 100%)	Provision for software and system development services
Quanzhou Zhaoyue Property Co., Ltd.* (泉州兆悦置業有限公司)	Corporation	PRC 4 November 2015	RMB50,000,000	40% (2017: 40%)	Property development
Fujian Zhaojia Real Estate Co., Ltd.* (福建兆嘉房地產有限公司)	Corporation	PRC 11 August 2006	RMB10,000,000	60% (2017: 60%)	Property development
Zhangzhou Fanhua Industrial Co., Ltd.* (漳州泛華實業有限公司)	Corporation	PRC 12 March 2015	RMB19,972,188	60% (2017: 60%)	Property development
Longyan Hengfu Real Estate Development Company Limited* (龍岩恒富房地產開發有限公司, "Longyan Hengfu")	Corporation	PRC 19 January 2017	RMB146,000,000	40% (2017: 40%)	Property development,

21. SUBSIDIARIES *(CONTINUED)*

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Wuxi Jian Yue Real Estate Development Co., Ltd.* (無錫建悦房地產開發有限公司, "Wuxi Jian Yue")	Corporation	PRC 11 December 2017	RMB3,065,000,000	100% (2017: 51%) (note 43)	Property development, management
Changsha Yuefa Property Development Company Limited* (長沙悦發房地產有限公司)	Corporation	PRC 28 November 2016	RMB466,200,000	100% (2017: 100%) @	Property development, management
Suzhou Zhaoxiang Real Estate Development Company Limited* (蘇州兆祥房地產開發有限公司, "Suzhou Zhaoxiang")	Corporation	PRC 30 October 2015	RMB200,000,000	97.5% (2017: 97.5%) @	Property investment and development business
Fujian Zhaohe Property Development Company Limited* (福建兆和房地產有限公司)	Corporation	PRC 1 December 2015	RMB50,000,000	100% (2017: 100%) @	Property management property consultancy and construction
Lianjiang Zhaorun Real Estate Development Co., Ltd.* (連江兆潤房地產開發有限公司)	Corporation	PRC 25 July 2016	RMB100,000,000	78% (2017: 78%) @	Property management property consultancy and construction
Zhangjiagang Jianfeng Real Estate Development Co., Ltd.* (張家港建豐房地產開發有限公司)	Corporation	PRC 6 January 2017	RMB50,000,000	70% (2017: 70%)	Property investment and development business
Nanjing Meiye Real Estate Development Co., Ltd.* (南京美業房地產發展有限公司, "Nanjing Meiye")**	Corporation	PRC 6 November 2017	RMB400,000,000 (2017: RMB 20,000,000)	50% (2017: 50%)	Property investment and development business
Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司)	Corporation	PRC 13 December 2016	RMB50,000,000	100% (2017: 100%) @	Property development, management
Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司)	Corporation	PRC 27 July 2011	RMB200,000,000	51% (2017: 51%) @	Property development
Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司)	Corporation	PRC 17 February 2005	RMB50,000,000	100% (2017: 100%) @	Property management
Xiamen Jiafu Investment Company Limited* (廈門嘉富投資有限公司)	Corporation	PRC 22 January 2015	RMB 10,000,000	100% (2017: 100%) @	Property investment

21. SUBSIDIARIES *(CONTINUED)*

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Suzhou Zhaokun Property Development Company Limited* (蘇州兆坤房地產開發有限公司)	Corporation	PRC 1 September 2014	RMB50,000,000	100% (2017: 100%) @	Property development
Longyan Lirui Real Estate Development Company Limited* (龍岩利瑞房地產開發有限公司)	Corporation	PRC 9 August 2017	RMB50,000,000	100% (2017: 100%) @	Property development
Jian'ou Fayun Real Estate Company Limited* (建甌發雲房地產有限公司)	Corporation	PRC 22 December 2015	RMB15,000,000	75% (2017: 75%) @	Property development
Jian'ou Zhongheng Real Estate Company Limited* (建甌中恒房地產有限公司)	Corporation	PRC 22 June 2016	RMB5,000,000	75% (2017: 75%) @	Property development
Guangzhou Jiansui Real Estate Development Company Limited* (廣州建穗房地產開發有限公司)#	Corporation	PRC 15 January 2018	RMB1,200,000,000	64% (2017: Nil)	Property development, management
Suzhou Jianhe Real Estate Development Company Limited* (蘇州建合房地產開發有限公司) ("Suzhou Jianhe") **#	Corporation	PRC 16 March 2018	RMB300,000,000	55% (2017: Nil)	Property development and property management
Shenzhen Shengyi Investment Management Company Limited* (深圳市盛毅投資管理有限公司) ("Shenzhen Shengyi")**Δ	Corporation	PRC 29 February 2016	RMB2,000,000,000	51.6% (2017: Nil)	Investment management
Xiamen Zhaowudi Property Company Limited* (厦門兆武地置業有限公司) ("Xiamen Zhaowudi")**#	Corporation	PRC 10 July 2018	RMB2,300,000,000	51% (2017: Nil)	Property development
Zhangjiagang Jianxiang Real Estate Development Company Limited* (張家港建祥房地產開發有限公司)#	Corporation	PRC 13 April 2018	RMB50,000,000	100% (2017: Nil)	Property development and property management
Fuzhou Pingjin Real Estate Company Limited* (福州平晉房地產有限公司)Δ	Corporation	PRC 5 September 2017	RMB2,000,000,000	51.6% (2017: Nil)	Property development

21. SUBSIDIARIES *(CONTINUED)*

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Lide Property (Fuzhou) Company Limited* (勵德置業(福州)有限公司) ("Lide Property")Δ	Corporation	PRC 19 June 2013	RMB160,000,000	70% (2017: Nil)	Property development and property management
Lianjiang Zhaorui Real Estate Development Company Limited* (連江兆瑞房地產開發有限公司)#	Corporation	PRC 14 March 2018	RMB200,000,000	46% (2017: Nil)	Property development
Xiamen Zhaoqilong Real Estate Development Company Limited* (廈門兆祁隆房地產開發有限公司)#	Corporation	PRC 27 December 2017	RMB2,500,000,000	100% (2017: 100%)	Property development and property management
Shaxuan Tianchen Real Estate Development Company Limited* (沙縣天辰房地產開發有限公司) ("Shazuan Tianchen")Δ	Corporation	PRC 9 November 2017	RMB150,000,000	51% (2017: Nil)	Property development
Nanping Jianyang Zhaosheng Real Estate Company Limited* (南平市建陽區兆盛房地產有限公司)#	Corporation	PRC 25 April 2018	RMB10,000,000	100% (2017: Nil)	Property development and property management
Xiamen Zhaoyuelong* (廈門兆玥瓏房產開發有限公司)	Corporation	PRC 27 June 2017	RMB1,000,000	Nil (2017: 100%) (Note 41)	Property development
Zhuhai Doumen Yifa Property Company Limited* (珠海斗門益發置業有限公司)#	Corporation	PRC 9 April 2018	RMB10,000,000	100% (2017: Nil)	Property development
Shanghai Putuo Yueda Property Company Limited* (上海普陀悦達置業有限公司) ("Shanghai Putuo")Δ	Corporation	PRC 20 May 2004	RMB12,000,000	55% (2017: Nil)	Property development and property management
Shenzhen Mingju Nanzhuang Real Estate Company Limited* (深圳市名巨南莊房地產有限公司) ("Mingju Nanzhuang) **Δ	Corporation	PRC 20 October 2010	RMB10,000,000	51% (2017: Nil)	Property development
Zhuhai Doumen Huiye Real Estate Development Company Limited* (珠海市斗門匯業房產開發有限公司) ("Zhuhai Doumen") **Δ	Corporation	PRC 16 March 2001	RMB6,510,000	51% (2017: Nil)	Property development

21. SUBSIDIARIES *(CONTINUED)*

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Guangzhou Jianrong Real Estate Development Company Limited* (廣州建融房地產開發有限公司) ("Guangzhou Jianrong")**#	Corporation	PRC 2 August 2018	RMB1,200,000,000	64% (2017: Nil)	Property development
Wuhan Zhaoyuemao Real Estate Development Company Limited* (武漢兆悅茂房地產開發有限公司) ("Zhaoyuemao")**#	Corporation	PRC 27 September 2018	RMB500,000,000	51% (2017: Nil)	Property development

* The English translation of the companies' name are for reference only. The official names of these companies are in Chinese.

** In 2018, the shareholders of Guangzhou Jianrong, Nanjing Meiye, Suzhou Jianhe, Zhaoyuemao, Shenzhen Shengyi, Xiamen Zhaowudi, Mingju Nanzhuang and Zhuhai Doumen injected additional capital on a proportionate basis.

These subsidiaries were newly incorporated during the year ended 31 December 2018.

Δ There subsidiaries were acquired during the year ended 31 December 2018.

@ These subsidiaries were acquired during the year and under common control of the substantial shareholder of the Group (note 2.2). In accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations", the subsidiaries had been combined from the earliest date presented or since the date when the subsidiaries first came under common control, where this is a shorter period, regardless of the date of the common control combination.

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

21. SUBSIDIARIES *(CONTINUED)*

The following table lists out the information related to Shenzhen Shengyi and Xiamen Zhaowudi, the subsidiaries of the Group which have material non-controlling interests as at 31 December 2018. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Shenzhen Shengyi 2018 RMB'000
Non-controlling interests percentage	**48.4%**
Non-current assets	**1,823,500**
Current assets	**9**
Current liabilities	**(18,281)**
Non-current liabilities	**–**
Net assets	**1,805,228**
Carrying amount of non-controlling interests	**873,730**
Revenue	**–**
Loss for the year	**(445)**
Total comprehensive expense for the year	**(445)**
Loss and total comprehensive expense attributable to non-controlling interests	**(216)**
Dividends paid to non-controlling shareholders	**–**
Cash flows from operating activities	**7,815**
Cash flows from investing activities	**78**
Cash flows used in financing activities	**(8,052)**
Net cash outflows	**(159)**

21. SUBSIDIARIES *(CONTINUED)*

	Xiamen Zhaowudi 2018 RMB'000
Non-controlling interests percentage	49%
Non-current assets	2,500,173
Current assets	2
Current liabilities	(203,730)
Non-current liabilities	–
Net assets	2,296,445
Carrying amount of non-controlling interests	1,125,258
Revenue	–
Loss for the year	(3,554)
Total comprehensive expense for the year	(3,554)
Loss and total comprehensive expense attributable to non-controlling interests	(1,742)
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	102,087
Cash flows used in investing activities	(200,085)
Cash flows from financing activities	98,000
Net cash inflows	2

22. INVENTORIES OF PROPERTIES AND OTHER CONTRACT COSTS

	31 December 2018 RMB'000	**1 January 2018 RMB'000**	31 December 2017 RMB'000 (Restated)
Inventories of properties			
Properties under development (note a)	**48,070,624**	**22,593,693**	22,527,422
Properties held for sale (note a)	**1,731,691**	**720,742**	720,742
	49,802,315	**23,314,435**	23,248,164
Other contract costs (note b)	**131,277**	**66,862**	–
	49,933,592	**23,381,297**	23,248,164
Inventories of properties	**49,850,650**	**23,314,435**	23,248,164
Less: Provision for inventories	**(48,335)**	**–**	–
	49,802,315	**23,314,435**	23,248,164

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 3.

(a) Inventories of properties

The properties under development and properties held for sale are located in the PRC and Australia. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2018, the carrying amount of properties under development of RMB10,876,658,000 (2017: RMB8,445,357,000 (restated)) have been pledged to banks to secure the Group's bank borrowings. Details of the secured bank borrowings are set out in note 30.

As at 31 December 2018, properties under development and other contract costs amounted to approximately RMB11,313,919,000 (2017: RMB10,014,176,000 (restated)) were expected to be completed and available for sale to the customers more than twelve months from the reporting date.

22. INVENTORIES OF PROPERTIES AND OTHER CONTRACT COSTS *(CONTINUED)*

(a) Inventories of properties *(Continued)*

The properties held for sale and properties under development of the Group are located as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Properties under development		
— PRC	**48,009,480**	22,468,492
— Australia	**61,144**	58,930
	48,070,624	22,527,422
Properties held for sale		
— PRC	**1,731,691**	720,742
	1,731,691	720,742
	49,802,315	23,248,164

(b) Other contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB25,777,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commissions were recognised as "selling expenses" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see note 3).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recovered after one year is RMB52,093,000.

23. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade receivables		
From third parties	**71,155**	102,680
Less: Loss allowance	**(3,606)**	(143)
	67,549	102,537
Other receivables		
Deposits	**57,557**	31,210
Prepayments	**34,654**	42,754
Other receivables	**247,129**	86,072
Prepayment for proposed development projects (note)	**1,407,972**	1,891,068
Value-added-tax receivables	**583,834**	47,713
	2,331,146	2,098,817
Less: Loss allowance	**(5,052)**	–
	2,326,094	2,098,817
	2,393,643	2,201,354

Note: The Group has entered into several contractual arrangements with independent third parties in respect of the proposed acquisitions of equity interests in certain PRC entities, which owns land use rights or property development projects in the PRC.

As initial application of HKFRS 9, loss allowance for trade and other receivables of RMB4,223,000 with addition deferred tax assets of RMB1,053,000 have been recognised against retained earnings of RMB3,003,000 and non-controlling interests of RMB167,000 as at 1 January 2018.

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Trade receivables generally have credit terms of 30 days. Trade receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. For the trade receivables derived from rental income, building management fee income, entrusted services income and smart construction services income, the income is paid in accordance with the terms of the respective agreements and the balance is due on presentation.

23. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Based on the invoice dates, the ageing analysis of the trade receivables, net of loss allowance, is as follows:

	2018	2017
	RMB'000	RMB'000
		(Restated)
0–30 days	**62,353**	101,338
31–90 days	**715**	727
91–180 days	**351**	245
181–365 days	**135**	63
Over 1 year	**3,995**	164
	67,549	102,537

Movements of the Group's loss allowance on trade receivables are as follows:

	RMB'000
At 1 January 2017	86
Provision for impairment	57
At 31 December 2017	143
Impact on initial application of HKFRS 9 (note 3)	2,557
At 1 January 2018 (adjusted)	2,700
Provision for impairment	906
At 31 December 2018	3,606

Movements of the Group's loss allowance on other receivables are as follows:

At 31 December 2017	–
Impact on initial application of HKFRS 9 (note 3)	1,666
At 1 January 2018 (adjusted)	1,666
Provision for impairment	3,386
At 31 December 2018	5,052

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. The Group applies the simplified approach on trade receivables and 12-month ECL method on other receivables to provide for ECL prescribed by HKFRS 9. During the year ended 31 December 2018, the Group has made the provision of impairment for trade receivables and other receivables of approximately RMB906,000 and RMB3,386,000 respectively (2017: RMB57,000 and RMBNil).

24. CONTRACT LIABILITIES

The Group applies the practical expedient for not adjusting the amount of consideration for the effects of a significant financing component if the period between the transfer of goods and customer payment will be one year or less and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised will be less than one year.

	RMB'000
At 31 December 2017	**–**
Impact on initial application of HKFRS 15 (Note 3)	**6,251,062**
At 1 January 2018 (adjusted)	**6,251,062**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at 1 January 2018	**(249,693)**
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties still under construction as at 31 December 2018	**6,936,886**
Disposal of a subsidiary (note 41)	**(188,272)**
Increase in contract liabilities as a result of accruing interest expense on advances	**334,968**
At 31 December 2018	**13,084,951**

The Group receives payments from customers based on the terms established in the property sale contracts. Payments are usually received in advance of the performance under the contracts.

As at 31 December 2018, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations are as follows:

	2018 RMB'000
Within one year	**9,869,113**
More than one year	**4,193,074**
	14,062,187

25. DEPOSITS FOR ACQUISITIONS OF LAND USE RIGHTS

Deposits for acquisitions of land use rights arise from the acquisitions of lands in various regions in the PRC. These deposits would either be converted into land use rights, or properties under development when the rights to use have been obtained. The carrying amounts of the Group's deposits for acquisitions of land use rights are denominated in RMB.

26. CASH AT BANKS AND ON HAND

	2018 **RMB'000**	2017 RMB'000 (Restated)
Cash at banks and on hand	**3,665,083**	1,390,160
Restricted bank deposits	**882,358**	595,035
	4,547,441	1,985,195

Bank balances of RMB4,537,040,000 (2017: RMB1,973,983,000 (restated)) are denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Restricted bank deposits represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts. In accordance with relevant government requirements, certain property development companies of the Group are required to place certain amount of pre-sale proceeds in designated bank accounts as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

27. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade payables	**3,293,017**	831,250
Other payables		
Receipts in advances and other payables	**265,290**	286,186
Interest payable	**107,890**	8,896
Salaries payable	**245,721**	207,077
Value-added-tax payable	**150,362**	35,700
Deposits received	**171,493**	146,223
Accrued expenses	**61,344**	157,020
Collection and payment on behalf of others	**142,200**	81,431
	1,144,300	922,533
	4,437,317	1,753,783

The carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the reporting date:

	2018 RMB'000	2017 RMB'000 (Restated)
0–30 days	**2,929,033**	761,433
31–60 days	**14,691**	198
61–90 days	**43,213**	271
Over 90 days	**306,080**	69,348
	3,293,017	831,250

28. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/ NON-CONTROLLING INTERESTS/ LOANS FROM INTERMEDIATE HOLDING COMPANIES

	2018 RMB'000	2017 RMB'000 (Restated)
Amounts due from fellow subsidiaries	–	11,731
Amounts due from non-controlling interests	483,474	–

	2018 RMB'000	2017 RMB'000 (Restated)
Amounts due to related companies:		
— associates	234,072	–
— intermediate holding companies	962,007	6,039,087
— fellow subsidiaries	–	192,239
	1,196,079	6,231,326
Amounts due to non-controlling interests	3,617,765	1,724,746

As at 31 December 2018 and 2017, the amounts due from/(to) fellow subsidiaries/non-controlling interests/associates/intermediate holding companies are unsecured, interest-free and repayable on demand, except for amounts due to non-controlling interests of RMB2,241,860,000 (2017: RMB766,067,000) bear interest ranging from 4.35% to 10% (2017: 6% to 6.3%) per annum.

As at 31 December 2018 and 2017, the loans from intermediate holding companies are unsecured, interest-bearing at 3-year floating lending rate of the People's Bank of China ("PBOC") rate per annum and would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

29. RECEIPTS UNDER SECURITISATION ARRANGEMENTS

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties and property management service, less amounts repaid. These securities bear an effective interest rate ranging from 5.36% to 6.40% per annum and are repayable in July 2026 and April 2020 respectively. The Company holds all subordinated tranche.

30. INTEREST-BEARING BORROWINGS

	2018 RMB'000	2017 RMB'000 (Restated)
Bank loans		
— Secured	**5,326,402**	3,678,788
— Unsecured	**3,022,205**	2,270,725
	8,348,607	5,949,513

At 31 December 2018, the Group's bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Carrying amount repayable		
Within one year or on demand	**1,554,077**	258,240
In the second year	**522,663**	545,003
In the third to fifth year	**6,105,221**	3,948,700
After the fifth year	**166,646**	1,197,570
	8,348,607	5,949,513
Less: Amounts shown under current liabilities	**(1,554,077)**	(258,240)
	6,794,530	5,691,273

As at 31 December 2018 and 2017, the Group's bank loans are secured by the legal charges over the Group's property, plant and equipment with carrying value of approximately RMB10,219,000 (2017: RMB10,098,000) (note 15), properties under development with carrying value of approximately RMB10,876,658,000 (2017: RMB8,445,357,000 (restated)) (note 22) and investment properties with fair value of approximately RMB596,000,000 (2017: RMBNil) (note 17).

As at 31 December 2018 and 2017, the unsecured borrowings were guaranteed by C&D Real Estate, the intermediate holding company of the Group.

As at 31 December 2018 and 2017, the bank loans bear an effective interest rate from 3.4% to 7.3% (2017: from 3.4 to 5.13% (restated)) per annum, except for bank loans of RMB634,300,000 which bear a fixed interest rate of 5.1% (2017: Nil) per annum.

As at 31 December 2018 and 2017, the bank loans of approximately RMB1,114,154,000 (2017: RMB2,217,000) and RMB16,646,000 (2017: RMB17,570,000) were denominated in HK$ and Australian Dollars ("AUD").

31. DEFERRED TAXATION

The net movement of deferred tax liabilities/(assets) are as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
At the beginning of the year	**(132,278)**	134,883
Impact on initial application of HKFRS 9 (note 3)	**(903)**	–
Impact on initial application of HKFRS 15 (note 3)	**16,716**	–
	(116,465)	134,883
Recognised in profit or loss (note 10)	**(477,817)**	(271,960)
Acquisition of subsidiaries (note 39)	**(726)**	4,855
Exchange differences	**–**	(56)
At the end of the year	**(595,008)**	(132,278)

Deferred tax liabilities

	Revaluation of investment properties RMB'000	Withholding tax RMB'000	Others temporary differences RMB'000	Total RMB'000 (Restated)
At 1 January 2017	158,306	14,633	1,170	174,109
(Credit)/Charged to profit or loss	(7,522)	–	213	(7,309)
Acquisition of a subsidiary	–	–	5,034	5,034
Exchange differences	(55)	–	–	(55)
At 31 December 2017 and 1 January 2018	150,729	14,633	6,417	171,779
Charged to profit or loss	1,327	–	105,810	107,137
At 31 December 2018	**152,056**	**14,633**	**112,227**	**278,916**

31. DEFERRED TAXATION *(CONTINUED)*

Deferred tax assets

	Impairment of assets RMB'000	Recognition of expenses RMB'000	LAT RMB'000	Prepaid income taxes RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017 (restated)	–	(2,919)	(1,311)	(32,653)	(2,343)	(39,226)
Credited to profit or loss	–	(42,022)	(23,705)	(150,238)	(48,686)	(264,651)
Acquisition of subsidiaries	–	–	–	–	(180)	(180)
At 31 December 2017 (restated)	–	(44,941)	(25,016)	(182,891)	(51,209)	(304,057)
Impact on initial application of HKFRS 9 (note 3)	(903)	–	–	–	–	(903)
Impact on initial application of HKFRS 15 (note 3)	–	16,716	–	–	–	16,716
At 1 January 2018 (adjusted)	(903)	(28,225)	(25,016)	(182,891)	(51,209)	(288,244)
Credited to profit or loss	(13,345)	(18,513)	(184,920)	(180,195)	(187,981)	(584,954)
Acquisition of subsidiaries	–	(15)	–	–	(711)	(726)
At 31 December 2018	**(14,248)**	**(46,753)**	**(209,936)**	**(363,086)**	**(239,901)**	**(873,924)**

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**(873,924)**	(304,057)
Deferred tax liabilities	**278,916**	171,779
	(595,008)	(132,278)

As at 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on certain unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was approximately RMB2,284,999,000 as at 31 December 2018 (2017: RMB1,075,063,000 (restated)).

32. SHARE CAPITAL

	Number of shares	Amount RMB'000
Authorised:		
Ordinary shares of HK$0.1 each (note a)		
At 31 December 2017	**1,000,000,000**	81,055
At 31 December 2018	**3,000,000,000**	254,870
Issued and fully paid:		
At 1 January 2017	**428,000,000**	35,219
Issue of new shares (note b)	**196,000,000**	16,494
Conversion of perpetual convertible bonds (note c)	**110,864,745**	9,819
At 31 December 2017, 1 January 2018 and 31 December 2018	**734,864,745**	61,532

Notes:

(a) Pursuant to the ordinary resolution passed by the shareholders of the Company at the Company's extraordinary general meeting held on 9 July 2018, the authorised share capital of the Company was increased from HK$100,000,000 to HK$300,000,000 divided into 3,000,000,000 shares (2017: 1,000,000,000 shares) of HK$0.1 each.

(b) On 22 December 2017, the Company completed the placing of 196,000,000 ordinary shares of HK$0.1 each at a placing price of HK$4.51 per share under general mandate with total proceed of HK$883,960,000 (equivalent to RMB743,854,000), giving rise to an increase of share premium of approximately RMB727,360,000. Share issuance expenses directly attributable to the issue of new shares amounting to RMB693,000 was treated as a deduction against the share premium account.

(c) On 1 March 2017, the Company issued perpetual convertible bond with an aggregate principal of HK$500,000,000 (equivalent to RMB442,850,000) to Well Land under specific mandate for repayment of loans from the shareholder as set out in the announcements dated 4 December 2016 and 1 March 2017 and the circular dated 26 January 2017.

The perpetual convertible bond did not have a fixed maturity date and may be converted into new ordinary shares of the Company at any time at the option of Well Land at an agreed conversion price subject to certain anti-dilutive adjustments.

32. SHARE CAPITAL *(CONTINUED)*

Note: *(Continued)*

On 18 May 2017, the conversion price has been adjusted from HK$4.60 to HK$4.51 per conversion share and the total number of new shares convertible from 108,695,652 to 110,864,745 pursuant to applicable provisions in respond to the dividend payment of HK$0.1 per ordinary share approved by the shareholders of the Company on 16 May 2017 as set out in the announcement dated 25 May 2017.

The perpetual convertible bond borne a coupon rate of 4% per annum and requires annual distribution payment to Well Land on distribution payment date.

The Company may choose to defer payments in whole or in part at its sole discretion within certain accumulated limits by giving notice in advance to Well Land.

The Company may redeem in whole the outstanding perpetual convertible bond: (1) on written consent by Well Land; (2) at a mutually agreed price; and (3) on the ending date of the third year from the issue date or on any distribution payment date after three years from the issue date.

As the perpetual convertible bond borne no obligation of principal repayment and the Company has a deferral option for the distributions, the perpetual convertible bond does not apply to the definition for classification of financial liabilities. Consequently, the perpetual convertible bond is classified as equity instrument and the distribution if and when declared is treated as equity dividend.

On 28 December 2017, Well Land exercised the conversion rights with conversion of 110,864,745 shares. The price of HK$4.51 per share, giving rise to an increase of share premium of approximately RMB433,031,000. Distributions to holders of perpetual convertible bond amounting to RMB13,902,000 was treated as a deduction against the share premium account.

33. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Perpetual convertible bond

On 30 November 2018, the Company issued perpetual convertible bond with an aggregate principal of HK$3,000,000,000 (equivalent to RMB2,666,100,000) to Well Land under specific mandate for repayment of loans from the shareholder as set out in the announcements dated 7 September 2018 and 30 November 2018 and the circular dated 27 October 2018.

The perpetual convertible bond does not have a fixed maturity date and may be converted into new ordinary shares of the Company at any time at the option of Well Land at an agreed conversion price subject to certain anti-dilutive adjustments.

The perpetual convertible bond bears a coupon rate of 4.25% per annum and requires annual distribution payment to Well Land on distribution payment date. No distribution has been accrued nor paid during the year ended 31 December 2018.

The Company may choose to defer payments in whole or in part at its sole discretion within certain accumulated limits by giving notice in advance to Well Land.

33. RESERVES *(CONTINUED)*

Perpetual convertible bond *(Continued)*

The Company may redeem in whole the outstanding perpetual convertible bond: (1) on written consent by Well Land; (2) at a mutually agreed price; and (3) on the ending date of the third year from the issue date or on any distribution payment date after three years from the issue date.

As the perpetual convertible bond bears no obligation of principal repayment and the Company has a deferral option for the distributions, the perpetual convertible bond does not apply to the definition for classification of a financial liabilities. Consequently, the perpetual convertible bond is classified as an equity instrument and the distribution if and when declared is treated as equity dividend.

Share premium

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies acquired by the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests. The capital reserve also represents the excess of investment cost over the share capital and share premium of the common control entities. The Transactions were accounted for using merger accounting as detailed in note 2.2.

Revaluation reserve

Revaluation reserve arose from transfer of owner-occupied properties to investment properties in prior years.

34. PERPETUAL BONDS

As at 1 January 2017, a subsidiary of the Group has issued perpetual bonds with an aggregate principal of RMB2,000,000,000 to independent third parties.

The bonds are initial repriced in 3 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another 1 year repricing cycle without any limitation with respect to the number of deferrals or redeem them in full.

The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds.

The issuer has the option to defer interest payment, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accrued interests already deferred according to the related terms, without any limitation with respect to the number of deferrals.

The perpetual bonds are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Group.

The bonds bear a coupon rate of 4.75% per annum. During the years ended 31 December 2017 and 2018, distributions to holders of perpetual bonds amounting to RMB96,320,000 (restated) and RMB90,969,000 were paid respectively.

During the year ended 31 December 2018, the perpetual bonds of RMB2,000,000,000 were fully redeemed.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**727,028**	693,596
Current assets		
Prepayments and other receivables	**106,585**	285
Amounts due from subsidiaries	**4,858,943**	1,381,660
Cash at banks and on hand	**6,084**	4,541
	4,971,612	1,386,486
Total assets	**5,698,640**	2,080,082
Current liabilities		
Accruals and other payables	**5,523**	1,164
Interest-bearing borrowings	**1,112,706**	–
	1,118,229	1,164
Net current assets	**3,853,383**	1,385,322
Total assets less current liabilities	**4,580,411**	2,078,918
Total liabilities	**1,118,229**	1,164
Net assets	**4,580,411**	2,078,918
EQUITY		
Share capital	**61,532**	61,532
Other reserves (note)	**4,518,879**	2,017,386
Total equity	**4,580,411**	2,078,918

SHI Zhen
Director

ZHAO Chengmin
Director

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

The movements of the Company's other reserves are as follows:

	Perpetual convertible bond RMB'000	Share premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	–	431,997	490,259	74,661	(27,637)	969,280
Profit and total comprehensive income for the year	–	–	–	–	35,971	35,971
Currency translation differences	–	–	–	(95,924)	–	(95,924)
Issuance of perpetual convertible bond (note 32(c))	442,850	–	–	–	–	442,850
Distributions to holders of perpetual convertible bond (note 32(c))	–	(13,902)	–	–	–	(13,902)
Conversion of perpetual convertible bond (note 32(c))	(442,850)	433,031	–	–	–	(9,819)
Issuance of new shares net of transaction costs (note 32(b))	–	726,667	–	–	–	726,667
2016 final dividend approved and paid	–	(37,737)	–	–	–	(37,737)
At 31 December 2017 and 1 January 2018	–	1,540,056	490,259	(21,263)	8,334	2,017,386
Loss and total comprehensive expense for the year	–	–	–	–	(32,878)	(32,878)
Currency translation differences	–	–	–	48,889	–	48,889
Issuance of perpetual convertible bond (note 33)	2,666,100	–	–	–	–	2,666,100
2017 final dividend approved and paid	–	(180,618)	–	–	–	(180,618)
At 31 December 2018	**2,666,100**	**1,359,438**	**490,259**	**27,626**	**(24,544)**	**4,518,879**

Note:

(a) The capital reserve of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the GEM of the Stock Exchange.

36. OPERATING LEASE ARRANGEMENTS

a. As lessor

At the reporting date, the future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's investment properties are receivables as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**163,630**	117,166
After one year but within five years	**250,949**	213,041
After five years	**37,096**	55,689
	451,675	385,896

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to twelve years (2017: one to ten years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

b. As lessee

At the reporting date, the future aggregate minimum lease payments under non-cancellable operating leases in respect of the Group's properties are payable as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Within one year	**12,819**	3,676
After one year but within five years	**70,708**	13,479
After five years	**52,495**	15,665
	136,022	32,820

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years (2017: one to twenty years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

37. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

	2018 RMB'000	2017 RMB'000 (Restated)
Contracted but not provided for		
— proposed development projects	**1,363,500**	216,800
— leasehold improvements	**2,400**	3,628
— properties under development	**14,906,370**	3,921,782

38. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	2018 RMB'000	2017 RMB'000 (Restated)
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties	**10,074,530**	3,204,910

The amount represented the guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Group's property units. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate 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 loan 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 financial institutions and the Group is entitled to take over the legal title and possession of the related properties. In case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements. The directors of the Company considered that the fair value of financial guarantee is insignificant due to low applicable default rate.

39. ACQUISITION OF SUBSIDIARIES

a) Acquisition of Shenzhen Shengyi and its subsidiary ("Shenzhen Shengyi Group")

On 31 July 2018, the Group acquired 51.6% equity interests of Shenzhen Shengyi from an independent third party at a cash consideration of RMB46,000. Shenzhen Shengyi did not operate any business prior to the acquisitions and only owned a subsidiary which mainly had property, plant and equipment, inventories of properties and at banks and on hand. As the purpose of the acquisition was mainly for acquiring the land for future development, the directors are of the view that the acquisition is treated as acquisition of assets in substance.

The considerations of all these transactions were determined by reference to the fair value of the assets acquired. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquirer's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Shenzhen Shengyi Group as at the date of acquisition are as follows:

	Recognised assets and liabilities on acquisition RMB'000
Property, plant and equipment (note 15)	185
Deferred tax assets	371
Inventories of properties and other contract costs	1,890,282
Other receivables	4,072
Cash at banks and on hand	31,607
Other payables	(1,935,710)
Net liabilities	(9,193)
Add: non-controlling interests	9,239
Net assets acquired	46
Total purchase consideration:	
— settled in cash during the year	(46)
Purchase consideration settled in cash	(46)
Cash at banks and on hand in subsidiaries acquired	31,607
Cash inflow on acquisition of subsidiaries	31,561

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

b) Acquisition of Shanghai Putuo

On 7 February 2018, Shanghai C&D Zhaoyu Asset Management Company Limited, an 55% indirectly owned subsidiary of the Group, acquired 100% equity interest of Shanghai Putuo at a cash consideration of RMB297,004,000. Shanghai Putuo did not operate any business prior to the acquisitions and mainly had property, plant and equipment, investment properties and cash at banks and on hand. As the purpose of the acquisition was mainly for acquiring the investment properties, the directors are of the view that the acquisition is treated as acquisition of assets in substance.

The considerations of all these transactions were determined by reference to the fair value of the assets acquired. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquirer's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Shanghai Putuo as at the date of acquisition are as follows:

	Recognised assets and liabilities on acquisition RMB'000
Property, plant and equipment (note 15)	3,620
Investment properties (note 17)	591,091
Trade and other receivables	4,585
Cash at banks and on hand	953
Trade and other payables	(67,245)
Interest-bearing borrowings	(236,000)
Net assets	297,004
Less: non-controlling interests	–
Net assets acquired	297,004
Net assets acquired — settled in cash during the year	(297,004)
Purchase consideration settled in cash	(297,004)
Cash at banks and on hand in subsidiary acquired	953
Cash outflow on acquisition of subsidiaries	(296,051)

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

c) Acquisition of assets

For the year ended 31 December 2018, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total cash consideration of approximately RMB808,503,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, deferred tax assets, trade and other receivables, inventories of properties and other contract costs, and interest-bearing borrowing. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of inventories of properties and other contract costs. Please find the details of these subsidiaries as follow:

Acquisition date	**Name of subsidiaries acquired**	**Percentage of equity interest**	**Total consideration** RMB'000
5 February 2018	Shaxian Tianchen Real Estate Development Co., Ltd.* 沙縣天辰房地產開發有限公司	51%	76,500
22 March 2018	Lide Real Estate (Fuzhou) Co., Ltd.* 勵德置業（福州）有限公司	70%	45,000
18 May 2018	Zhuhai Doumen Huiye Real Estate Development Company Limited* 珠海市斗門匯業房產開發有限公司	51%	205,530
3 September 2018	Shenzhen Mingju Nanzhuang Real Estate Company Limited* 深圳市名巨南莊房地產有限公司	51%	331,500
17 September 2018	Taicang Yuzhou Yilong Real Estate Development Company Limited* 太倉禹洲益龍房地產開發有限公司	30% (Note 4.2)	150,000

* English names for identification purpose only.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

c) Acquisition of assets *(Continued)*

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of immaterial subsidiaries as at the date of acquisition are as follows:

	Recognised assets and liabilities on acquisition RMB'000
Property, plant and equipment (note 15)	6,718
Deferred tax assets	355
Inventories of properties and other contract costs	1,883,329
Other receivables	799,262
Cash at banks and on hand	11,780
Interest-bearing borrowings	(218,500)
Other payables	(1,494,601)
Net assets	988,343
Less: non-controlling interests	(179,813)
Net assets acquired	808,530
Total purchase consideration:	
— settled in cash during the year	(658,530)
— payable by capitalisation of indebtedness	(150,000)
	(808,530)
Purchase consideration settled in cash	(658,530)
Cash at banks and on hand in subsidiaries acquired	11,780
Cash outflow on acquisition of subsidiaries	(646,750)

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

c) Acquisition of assets *(Continued)*

For the year ended 31 December 2018, the Group entered into agreements with the fellow subsidiaries to acquire Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe. As the Group, Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe were under common control of the same substantial shareholder, Xiamen C&D, before and after Jian'ou Zhongheng Acquisition, Nanning Dingchi Acquisition and Nanning Qinghe Acquisition (see note 2.2), these were regarded as a business combination under common control and accounted for using merger accounting basis as if Jian'ou Zhongheng Acquisition, Nanning Dingchi Acquisition and Nanning Qinghe Acquisition had been completed at the beginning of the accounting periods as presented in these financial statements, or at the date when the Group, Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe were under common control, whichever the later.

Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe were acquired by the fellow subsidiaries from third parties in 2017 as follows:

Acquisition date	Name of subsidiaries acquired	Percentage of equity interest	Total consideration RMB'000
24 January 2017	Jian'ou Zhongheng Real Estate Company Limited* (建甌中恒房地產有限公司)	75%	–
31 July 2017	Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司)	51%	3,604
31 July 2017	Nanning Qinghe Real Estate Development Company Limited* (南寧市慶和房地產開發有限責任公司)	51%	30,600

* English names for identification purpose only.

Since the Group, Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe came under common control of Xiamen C&D at the acquisition dates mentioned above, the assets and liabilities and the operating results of Jian'ou Zhongheng, Nanning Dingchi and Nanning Qinghe were combined to the Group as if the acquisitions had been completed since that dates.

For the year ended 31 December 2017, the Group acquired 60% controlling equity interests in Metropolitan Investment Holding Group Pty Limited at a cash consideration of approximately RMB13,399,000.

These companies did not operate any business prior to the acquisitions and only had trade and other receivables, inventories of properties and other contract costs, trade and other payables and interest-bearing borrowings. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of inventories of properties and other contract costs.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

c) Acquisition of assets *(Continued)*

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Jian'ou Zhangheng, Nanning Dingchi, Nanning Qinghe and Metropolitan as at the date of acquisition in 2017 are as follows:

	Recognised assets and liabilities on acquisition RMB'000
Inventories of properties and other contract costs	55,414
Other receivables	303,092
Cash at banks and on hand	1,183
Interest-bearing borrowings	(17,848)
Amount due to non-controlling interests	(19,157)
Other payables	(233,071)
Deferred tax liabilities	(4,855)
Net assets	84,758
Less: non-controlling interests	(37,156)
Net assets acquired	47,602
Total purchase consideration:	
— settled in cash during the year	(47,602)
Purchase consideration settled in cash	(47,602)
Cash at banks and on hand in subsidiaries acquired	1,183
Cash outflow on acquisition of subsidiaries	(46,419)

40. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into following transactions with related parties:

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000 (Restated)
Ultimate holding company:			
Xiamen C&D (note c)	Construction management fee received	**537**	1,491
Intermediate holding companies:			
厦門建發股份有限公司 ("Xiamen C&D Inc.") (note c)	Construction management fee received	**2,646**	–
C&D Real Estate (note a)	Interest expenses on loan from intermediate holding company	**840,175**	464,976
(note d)	Property management income	**82,095**	97,484
Associates:			
Longyan Lirong (note b)	Interest income on loans to associates	**(2,082)**	(73)
(note c)	Construction management fee received	**53,774**	–
Wuhan Zhaoyuecheng (note b)	Interest income on loans to associate	**(30,467)**	–
Fellow subsidiaries:			
Xiamen Heshan Construction and Development Limited ("Heshan Construction") (note c)	Construction management fee received	**11,811**	5,755
Jianyang District Nanping Jiaying Real Estate Company Limited ("Jiaying District") (note c)	Construction management fee received	**11,323**	12,169

Notes:

(a) During the year ended 31 December 2018, the Group incurred loan interest expenses of RMB840,175,000 (2017: interest expenses of RMB464,976,000) to C&D Real Estate, the intermediate holding companies pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB30,000 million loan facilities to certain subsidiaries of the Company for their project development at the benchmark lending interest rate promulgated by the PBOC (note 28).

(b) During the year ended 31 December 2018, the Group earned interest income of RMB2,082,000 from Longyan Lirong and RMB30,467,000 from Wuhan Zhaoyuecheng, respectively by granting loans for their operations at 6% and 4.75% interest rate per annum.

(c) During the year ended 31 December 2018, the Group earned construction management fee income by providing services ranging from design, construction and completion to delivery throughout the project construction process with Xiamen C&D, Xiamen C&D Inc., Longyan Lirong, Heshan Construction and Jianyang District.

(d) During the year ended 31 December 2018, the Group earned property management income from the subsidiaries of C&D Real Estate.

Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the 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.

40. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2018 RMB'000	2017 RMB'000 (Restated)
Basic salaries and allowances	**3,992**	3,638
Retirement benefit scheme contributions	**22**	–
	4,014	3,638

41. DISPOSAL OF A SUBSIDIARY

On 29 December 2018, the Group disposed of its entire interests in Xiamen Zhaoyuelong to an associate of the Group, Xiamen Yiwudi at cash consideration of RMB49,291,000. The principal activities of Xiamen Zhaoyuelong were properties development.

Consideration received

	RMB'000
Consideration received in cash	49,291

41. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

Analysis of assets and liabilities over which control was lost

	As at 29 December 2018 RMB'000
Cash at banks and on hand	347,404
Properties under development	2,149,771
Trade and other receivables	24,458
Trade and other payables	(586,184)
Income tax liabilities	(1,956)
Contract liabilities	(188,272)
Interest-bearing borrowings	(700,000)
Amounts due to related companies	(1,013,240)
Net assets disposed of	31,981

Gain on disposal of a subsidiary

	As at 29 December 2018 RMB'000
Consideration received and receivable	49,291
Net assets disposed of	(31,981)
Less: unrealised profits (note 18)	(8,482)
Gain on disposal	8,828
Consideration received in cash	49,291
Cash and cash equivalents disposed of	(347,404)
Cash outflow on disposal	(298,113)

42. NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the non-controlling interests have made capital injection by contributing the inventories of properties of RMB515,970,000 (note 22).

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing borrowings RMB'000	Loan from intermediate holding companies RMB'000	Amounts due to related companies RMB'000	Amounts due to non-controlling interests RMB'000	Receipt under securitisation arrangements RMB'000	Total RMB'000
1 January 2017 (restated)	543,236	5,534,983	1,175,422	269,631	–	7,523,272
Cash-flows:						
— Repayment	(99,959)	(31,020,902)	(1,488,350)	(422,709)	–	(33,031,920)
— Additions	5,489,000	30,467,082	6,069,301	1,813,211	1,250,000	45,088,594
Non-cash:						
— Acquisition of subsidiaries	17,848	–	19,157	19,157	–	37,005
— Exchange difference	(612)	–	–	–	–	(612)
— Interest payable	–	–	474,953	45,456	–	520,409
31 December 2017 (restated) and 1 January 2018	5,949,513	4,981,163	6,231,326	1,724,746	1,250,000	20,136,748
Cash-flows:						
— Repayment	(3,241,137)	(62,477,546)	(6,232,137)	(5,352,656)	(1,502,671)	(78,806,147)
— Additions	5,845,185	73,578,528	2,210,130	9,943,851	3,771,471	95,349,165
Non-cash:						
— Acquisition of subsidiaries (note 39)	454,500	–	–	–	–	454,500
— Disposal of a subsidiary (note 41)	(700,000)	–	(1,013,240)	–	–	(1,713,240)
— Exchange difference	40,546	–	–	–	–	40,546
— Capital injection from non-controlling interests	–	–	–	(2,698,176)	–	(2,698,176)
31 December 2018	8,348,607	16,082,145	1,196,079	3,617,765	3,518,800	32,763,396

44. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARY WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2018, the Group acquired a subsidiary, Jian Yue Holdings Limited ("Jian Yue") which lead to an increase in Group's shareholding in Wuxi Jian Yue from 51% to 100% at a cash consideration of RMB170,000,000 (the "Acquisition") without change in control. The acquisition was accounted for as an equity transaction, whereby adjustments were made to reflect a decrease in non-controlling interests of approximately RMB170,443,000 and an increase in reserve of approximately RMB443,000. The Acquisition was completed in April 2018. Details of the Acquisition have been set out in the Company's announcement dated 19 March 2018.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

45.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 2.10 for explanations about how the category of consolidated financial instruments affects their subsequent measurement.

	2018 **RMB'000**	2017 RMB'000 (Restated)
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables	**314,678**	188,609
— Cash at banks and on hand	**4,547,441**	1,985,195
— Amounts due from related companies	**–**	11,731
— Amounts due from non-controlling interests	**483,474**	–
— Listed senior tranche security	**100,000**	–
— Debt investment	**3,000**	–
	5,448,593	2,185,535
Financial assets at FVTPL		
— Unlisted subordinated tranche securities	**124,540**	–
— Unlisted investment funds	**10,000**	–
— Unlisted equity securities	**71,500**	–
	206,040	–
Available-for-sale financial assets		
Unlisted equity investment	**–**	123,000
	5,654,633	2,308,535
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	**4,163,354**	1,555,366
Amounts due to related companies	**1,196,079**	6,231,326
Amounts due to non-controlling interests	**3,617,765**	1,724,746
Loans from intermediate holding companies	**16,082,145**	4,981,163
Interest-bearing borrowings	**8,348,607**	5,949,513
Receipts under securitisation arrangement	**3,518,800**	1,250,000
	36,926,750	21,692,114

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.2 Foreign currency risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are other receivables, cash at banks and in hand, trade and other payables, amounts due to non-controlling interests, loans from intermediate holding companies and interest-bearing borrowings in HK$ and AUD.

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2018 and 2017, the Group did not have significant foreign currency risk from its operations.

45.3 Interest rate risk

The Group has been exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing assets and liabilities are mainly cash at banks and on hand, loans to associates, interest bearing borrowings, loans from intermediate holding companies, amounts due to non-controlling interests and receipts under securitisation arrangement. All are at variable rates expose the Group to cash flow interest rate risk, except for an interest-bearing borrowings and receipts under securitisation arrangement of totally RMB4,135,100,000 (2017: RMB1,250,000,000 (restated)) which is at fixed rates and it exposes the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

At 31 December 2018, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and retained earings by approximately RMB80,748,000 (2017: RMB40,013,000 (restated). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

45.4 Other price risk

The Group has been exposed to the price risk of unlisted subordinated tranche securities, unlisted investment funds and unlisted equity securities in connection with the financial assets measured at FVTPL. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

If the price of equity securities had been 5% increased/decreased, post-tax profit for the years ended 31 December 2018 would have been increased/decreased by approximately RMB7,727,000.

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the changes in the relevant risk variables had occurred at each reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at each reporting date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant risk variables, and that all other variables remain constant.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 38.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2018 and 2017 is the carrying amount of each financial asset as disclosed in note 45.1.

Effective on 1 January 2018

(i) Trade receivables

Upon the adoption of HKFRS 9, management groups financial instruments on basis of shared credit risk characteristics for the purpose of determining significant increase in credit risk and calculation of impairment. The carrying amounts of each financial asset in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2018.

To manage credit risk arising from trade receivables, the credit quality of the debtors is assessed taking into account of their financial position, historical settlement records, past experience and other factors. The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The ECLs also incorporate forward looking information.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 30 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the reporting date, 5.33% (2017: 2.63%) of the total trade receivables was due from the Group's largest customer.

On the above basis, the ECL for trade receivables as at 31 December 2018 and 1 January 2018 were RMB3,606,000 and RMB2,700,000 respectively.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.5 Credit risk *(Continued)*

Effective on 1 January 2018 (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, restricted bank deposits, cash at banks and on hand, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment. In order to minimise the credit risk financial assets at amortised cost, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of financial assets at amortised cost based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of these other financial assets at amortised cost are considered to be low. In addition, there were no significant increase in credit risk since initial recognition.

Management makes periodic collective assessments for financial assets included in other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment as well as individual assessment on the recoverability of other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment based on historical settlement records and past experience. The Group considered the credit risk associated with other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment to be low. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment. As at 31 December 2018, loss allowance of RMB5,052,000 was made against the gross amount of other receivables.

The credit risks on restricted bank deposits and cash at bank and on hand are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Effective before 1 January 2018

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to related companies, amounts due to non-controlling interests, loans from intermediate holding companies, receipts under securitisation arrangement and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

Analysed below is the Group's remaining contractual maturities for its non-derivative and derivative financial liabilities as at 31 December 2018 and 2017. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.6 Liquidity risk *(Continued)*

The contractual maturity analysis of the Group below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted contractual amount RMB'000	Carrying amount RMB'000
As at 31 December 2018						
Trade and other payables	**4,163,354**	**–**	**–**	**–**	**4,163,354**	**4,163,354**
Amounts due to related companies	**1,196,079**	**–**	**–**	**–**	**1,196,079**	**1,196,079**
Amounts due to non-controlling interests	**3,761,946**	**–**	**–**	**–**	**3,761,946**	**3,617,765**
Loans from intermediate holding companies	**971,362**	**971,362**	**17,053,507**	**–**	**18,996,231**	**16,082,145**
Interest-bearing borrowings (note a)	**1,949,720**	**882,841**	**5,787,230**	**174,792**	**8,794,583**	**8,348,607**
Receipts under securitisation arrangements	**210,732**	**2,730,817**	**534,547**	**604,152**	**4,080,248**	**3,518,800**
	12,253,193	**4,585,020**	**23,375,284**	**778,944**	**40,992,441**	**36,926,750**
Financial guarantees issued (note b)						
Maximum amount guaranteed (note 38)	**10,074,530**	**–**	**–**	**–**	**10,074,530**	**10,074,530**
As at 31 December 2017 (restated)						
Trade and other payables	1,555,366	–	–	–	1,555,366	1,555,366
Amounts due to related companies	6,231,326	–	–	–	6,231,326	6,231,326
Amounts due to non-controlling interests	1,736,141	–	–	–	1,736,141	1,724,746
Loans from intermediate holding companies	236,605	236,605	5,217,768	–	5,690,978	4,981,163
Interest-bearing borrowings (note a)	545,624	819,992	4,197,559	1,256,230	6,819,405	5,949,513
Receipts under securitisation arrangements	66,669	66,669	492,923	1,036,051	1,662,312	1,250,000
	10,371,731	1,123,266	9,908,250	2,292,281	23,695,528	21,692,114
Financial guarantees issued (note b)						
Maximum amount guaranteed	3,204,910	–	–	–	3,204,910	3,204,910

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.6 Liquidity risk *(Continued)*

Notes:

(a) Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2018, the aggregate undiscounted principal amounts of these bank loans amounted to RMB1,114,154,000 (2017: RMB2,217,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within two years (2017: three years) after the reporting date in accordance with the scheduled repayment date set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB1,120,493,000 (2017: RMB2,328,000).

(b) The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the reporting date, the directors considered that it was not probable that the borrowers of the loans would default the repayment of the loans and therefore no provision for the Group's obligation under the guarantee has been made.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

45.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.7 Fair value measurements of financial instruments *(Continued)*

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Notes	**2018 Level 3 RMB'000**
Financial assets		
Financial assets measured at FVTPL		
— Unlisted subordinated tranche securities	(a)	**124,540**
— Unlisted investment funds	(b)	**10,000**
— Unlisted equity investment	(c)	**71,500**
Total fair value		**206,040**

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 3 is unchanged compared to the previous reporting periods and are described below.

(a) *Unlisted subordinated tranche securities (Level 3)*
Future cash flows are estimated based on applying the expected yields of the instruments and the discount rate that reflects the credit risks of the instrument.

(b) *Unlisted investment funds (Level 3)*
The unlisted investment funds' fair value have been determined from banker's quotes.

(c) *Unlisted equity securities (Level 3)*
The fair value of unlisted equity securities is determined by using adjusted net asset approach.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

45.7 Fair value measurements of financial instruments *(Continued)*

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted subordinated tranche securities RMB'000	**Unlisted investments funds RMB'000**	**Unlisted equity securities RMB'000**
At 1 January 2017 and at 31 December 2017 (restated)	**–**	–	–
Impact on initial application of HKFRS 9 (note 3)	**28,820**	10,000	63,600
At 1 January 2018	**28,820**	10,000	63,600
Additions	**90,730**	–	–
Fair value gain recognised in profit or loss	**4,990**	–	7,900
At 31 December 2018	**124,540**	10,000	71,500

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data under discounted cash flow in respect of unlisted subordinated tranche securities, unlisted investments funds and unlisted equity securities, as the management considers that the exposure is insignificant to the Group.

Fair value gain on unlisted subordinated tranche securities, unlisted investments funds and unlisted equity securities are recognised in profit or loss and included under "Other net gain" (note 7).

There have been no transfers into or out of Level 3 during the year ended 31 December 2018 (2017: Nil).

46. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as borrowings less restricted bank deposits cash at bank and on hand. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

During the years ended 31 December 2017 and 2018, the Group's strategy in monitoring its capital structure, which was unchanged from prior year, was to maintain a sufficient cash level to meet its liquidity requirements. In order to maintain or adjust the cash level, the Group may issue new shares, raise new debts financing or sell assets to increase the cash level.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

47. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2018:

(i) As set out in the announcement date 8 January 2019, Xiamen Yi Yue, an indirect subsidiary of the Company entered into a termination agreement with independent third parties, Changsha Xingwang Real Estate Development Company Limited* (長沙興旺房地產開發有限公司), Hunan Xingwang Construction Company Limited* (湖南興旺建設有限公司) and Mr. Hou Yu* (侯宇), pursuant to which, among other things, parties to a cooperation agreement agreed to terminate the cooperation agreement. As a result of the termination of the cooperation agreement, on 8 January 2019, Xiamen Yi Yue also entered into the termination agreement with an independent third party, Hunan Hongkai Real Estate Development Company Limited* (湖南泓楷房地產開發有限責任公司), pursuant to which, among other things, parties to a joint venture agreement agreed to terminate the joint venture agreement, and the transactions contemplated under the cooperation agreement and the joint venture agreement will not proceed.

(ii) As set out at in the announcement dated 8 January 2019 Xiamen Yi Yue entered into the Confirmation Letter with Fujian Huaxing Auction House Co., Ltd.* (福建華興拍賣行有限責任公司) ("Fujian Huaxing") on 8 January 2019 to confirm that Xiamen Yi Yue has successfully won the bid for the auction for the land use rights of the Land which is located within Yuhu Area (玉湖片區), Licheng District (荔城區), Putian City (莆田市), Fujian Province, the PRC (Parcel No. PS Pai-2018-33) for a total consideration of RMB858,000,000. Xiamen Yi Yue shall also pay the auction commission to Fujian Huaxing in the sum of RMB17,160,000.

47. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE *(CONTINUED)*

(iii) As set out in the announcement date 28 January 2019, Xiamen Yi Yue and Ningde Jiaotou Real Estate Development Company Limited* (寧德市交投置業房地產開發有限公司) ("Ningde Jiaotou") entered into a cooperation agreement for, among other things, the formation of a joint venture for the purpose of acquisition and development of the Land plot No. 2018P02. The ioint venture will be held as to 50% and 50% by Xiamen Yi Yue and Ningde Jiaotou respectively. The initial registered capital of the joint venture will be RMB10,000,000.

(iv) As set out in the announcement date 29 January 2019, Zhaocheng Construction entered into the Framework Agreement with C&D Real Estate for the period from 29 January 2019 to 31 December 2021, pursuant to which Zhaocheng Construction shall provide entrusted construction management services for a variety of construction and property development projects, etc. of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies. The proposed annual caps of the entrusted construction management service fees to be received by Zhaocheng Construction under the Framework Agreement for each of the three years ending 31 December 2021 are RMB150,000,000.

(v) As set out in the announcement dated 13 March 2019, Xiamen Yi Yue, Fujian Tinghu Real Estate Group Company Limited* (福建挺虎置業集團有限公司) ("Fujian Tinghu"), Mr. Zheng Qingsheng* (鄭慶昇) and Xianyou Zhaoting Real Estate Company Limited* (仙遊兆挺置業有限公司) ("Xianyou Zhaoting") entered into the supplemental agreement on 13 March 2019, pursuant to which, among other things, Xiamen Yi Yue and Fujian Tinghu agreed to contribute to Xianyou Zhaoting in accordance with their respective 51% and 45% equity interest to develop the Land which is situated at the centre of Xianyou County (仙遊縣), Putian City (莆田市), Fujian Province, the PRC (Land Plot No.: PS-2012-20).

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

48. COMPARATIVE FIGURES

As explained in note 2.2 to the consolidated financial statements, comparative information is restated and certain comparative figures in these consolidated financial statements were reclassified to conform to the current year's presentation.

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**12,371,415**	4,778,846	104,103	133,767	272,771
Gross profit	**4,115,158**	1,590,722	66,305	63,496	65,047
Profit before income tax	**3,089,761**	1,070,477	(24,432)	35,470	46,716
Profit for the year	**1,577,902**	603,048	(26,497)	15,413	29,391
Profit for the year attributable to the equity owners of the Company	**1,420,446**	527,813	(28,076)	12,668	24,896

ASSETS, LIABILITIES AND EQUITY

	2018	2017	2016	2015	2014
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets	**4,516,519**	1,606,824	1,073,186	696,349	691,349
Current assets	**58,258,435**	32,414,700	13,839,491	5,065,254	270,179
Non-current liabilities	**26,674,391**	12,094,215	6,249,092	4,524,554	226,901
Current liabilities	**25,496,517**	16,642,169	4,839,001	257,840	117,350
Net current assets	**32,761,918**	15,772,531	9,000,490	4,807,414	152,829
Total equity	**10,604,046**	5,285,140	3,824,584	979,209	617,277

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2018

	Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1.	Yu Feng Plaza	8 retail units on 1/F,1 retail unit on 2/F,1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail, office and carparks	8,579	31 March 2074
2.	Wan Guo Plaza and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	8,048	31 May 2044 and 25 February 2044
3.	Other properties	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	478	31 August 2044
4.	Other properties	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	863	16 April 2044
5.	Other properties	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	2,237	25 February 2044
6.	Other properties	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	250	6 September 2044
7.	Other properties	No. 99 and 99-1 Huaqiang Road and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	22 April 2044

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2018 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
8. Other properties	1/F of Block No.1 of No. 220-4 and No. 220-5 and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	217	25 February 2044
9. Other properties	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	381	20 February 2044 and 6 September 2044
10. Other properties	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	20 February 2044
11. Other properties	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Industrial	1,141	16 November 2054
12. Other properties	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	510	7 September 2044
13. Other properties	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	161	Note
14. Other properties	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail and residential	879	25 May 2049 (retail unit) and 25 May 2079 (residential units)
15. Fanghui Plaza	Shops on 1/F-5/F, Changshou Road, Putuo District, Shanghai City, the PRC	Commercial	17,415	23 March 2043

Note: According to the remark stated in the State-owned Land Use Rights Certificate No. (2010) 518938, the property is situated on a site on which a road is planned to be built and is used temporarily by the Group.

PROPERTIES CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2018

Property name		Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1.	Other properties	4 retail units on 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	Note	Note

Note: As at 31 December 2017, the State-owned Land Use Rights Certificate of the property have not been obtained. According to the Resettlement Agreement entered into between Guangxi Lvzhidu Real Estate Development Ltd.* (廣西綠之都房地產開發有限公司) (Party A) and Nanning Bai Yi Industrial Enterprise Limited* (南寧百益實業有限公司) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings. According to the ownership certificate obtained by Party B, the resettled 4 residential units has a total gross floor area of 96.25 sq.m.

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2018

Property name		Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
1.	Fond England* (裕豐英倫)	The unsold carpark units of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965	Carparks	4,301	93.84
2.	Li Yuan* (裕豐荔園)	The unsold portion of Li Yuan Residential Development, No. 128 Daxue East Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	9,074	Residential, retail and carparks	16,951	87.52
3.	Jianfa•Dushuwan (formerly Dushuwan) (Phase I&II)* (建發•獨墅灣 (原獨墅灣) (一期及二期))	Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the PRC	168,304	Wholesale and retail, urban residential	301,821	97.50
4.	Jianfa•Zhongyang Yuefu (formerly Zhongyang Yuefu)* (建發•中央悦府(原中央悦府))	No. 180 Laodong Road East, Yuhua District, Changsha, Hunan Province, the PRC	25,642	Residential	123,466	100

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2018 *(Continued)*

	Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
5.	Jianfa•Shanwaishan (formerly Shanwaishan) (Land Parcel No. A1, A2)* (建發•山外山(原山外山) (A1、A2地塊))	Xinting, Shili Village, Changtai County, Fujian Province, the PRC	66,507	Residential and commercial	54,850	94
6.	Jianfa•Lingjun* (建發•領郡)	South-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port in Lianjiang County, Fuzhou City, Fujian Province, the PRC	52,643	Wholesale and retail, other common commodity housing	183,041	78
7.	Jianfa•Yuecheng (District I)* (建發•悅城(一區))	No. 68, South Xishui, Jianou City, Fujian Province, the PRC	32,289	Other common commodity housing, wholesale and retail and hoteling and catering	123,811	75
8.	Jianfa•Bihushuangxi (formerly Bihushuangxi)* (建發•碧湖雙璽 (原碧湖雙璽))	West of Hubin Road, north of Xiaguang Road, east of Bizhou Road, Longwen District, Zhangzhou City, Fujian Province, the PRC	44,828	Urban residential, wholesale and retail	191,955	100
9.	Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	East of Chengyang Road, South of Qinglonggang Road, Gaotie Xincheng, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC	65,618	Urban residential, wholesale and retail	177,604	100
10.	Jianfa•Yangyu (Phase I)* (建發•泱譽(一期))	South of Nantiancheng Road, East of Zhenghui Road, Gaotie Xincheng, Suzhou City, Jiangsu Province, China	41,718	Urban residential, wholesale and retail	121,301	100
11.	Jianfa•Zhongyang Tiancheng (formerly Zhongyang Tiancheng)* (建發•中泱天成 (原中泱天成))	Wanfu Community, Wan'an Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	22,174	Urban residential, wholesale and retail	77,087	40
12.	Jianfa•Xiyuan (formerly Jianfa Xiyuan) (Section A)* (建發•璽院(原建發璽院) (A標段))	North-west side of the intersection of Longyan Road and Xingye Road, Xinluo District, Longyan City, Fujian Province, the PRC (Dongxiao Land Parcel No. 3)	42,965	Commercial and services, residential, public management and public services	99,660	30

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2018

	Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
1	Jianfa • Yangzhu (formerly Land Parcel No. 2017JP03 of Xiamen Jimei Project)* (建發•央著(原廈門集美項目2017JP03地塊))	Northeast of the intersection of Xingjin Road and Haixiang Avenue, Xincheng Area, Jimei District, Xiamen City, Fujian Province, the PRC (Land Parcel No. 2017JP03)	Urban residential, wholesale and retail	pre-sold	20,176	95,201	By the end of 2020	49
2	Jianfa • Yangzhu Phase II (formerly Land Parcel No. 2018JP01 of Xiamen Jimei Project)* (建發央著二期(原廈門集美專案2018JP01地塊))	Northeast of the intersection of Chengyi West Road and Chengyi North Road, Jimei District, Xiamen City, Fujian Province, the PRC (Land Parcel No. 2018JP01)	Urban residential, retail	preliminary	30,535	126,366	Mid-2020	51
3	Jianfa • Shanwaishan (Land Parcel C)* (建發•山外山(C地塊))	Shili Village, Mayangxi Ecological Tourism Zone, Changtai County, Fujian Province, the PRC	Urban residential	preliminary	54,903	192,161	By the end of 2020	94
4	Jianfa • Xiyuan (formerly Xiyuan)* (建發•璽院(原璽院))	West of Hubin Road, south of Xiazhou Road, Longwen District, Zhangzhou City, Fujian Province, the PRC	Wholesale and retail, hoteling and catering, urban residential	pre-sold	41,973	166,757	Mid-2020	100
5	Jianfa • Xiyuan (formerly Jianfa Xiyuan) (Sections B, C)* (建發•璽院(原建發璽院)(B、C 段))	North-west side of the intersection of Longyan Road and Xingye Road, Xinluo District, Longyan City, Fujian Province, the PRC (Dongxiao Land Parcel No. 3)	Commercial services, residential, public management and public services	pre-sold	52,961	165,051	By the end of 2019	30
6	Shangyue House* (尚悦居)	Southease corner of intersection of Longteng Road and Shuangyang Road, southeast side of land parcel C of Tianyu Community, Xinluo District, Longyan City, Fujian Province, the PRC	Residential, ancillaries and basement	pre-sold	28,495	142,211	By the end of 2019	40
7	Jianfa • Shouyuan (Phase I)* (建發• 首院(一期))	North of Ganlong Expressway, east of Longyan Avenue, Xinluo District, Longyan City, Fujian Province, the PRC (Land Parcel B on the south side of Shuanglong Road)	Commercial services, residential, public management and public services	pre-sold	62,662	162,333	By the end of 2019	100
	Jianfa • Shouyuan (Phases II, III)* (建發•首院(二期、三期))			preliminary	28,375	112,239	At the beginning of 2020	
8	Jianfa • Yuecheng (Section II)* (建發•悦城(二區))	No. 68, Xishui South, Jian'ou City, Fujian Province, the PRC	Other common commodity housing, wholesale and retail, hoteling and catering	pre-sold	29,805	113,413	Mid-2019	75
9	Jianfa • Yuecheng (Section III)* (建發•悦城(三區))	Land Parcel No. SN-D-(04-05) I, South Xiashui Area, Jian'ou City, Fujian Province, the PRC	Other common commodity housing, wholesale and retail, hoteling and catering	pre-sold	47,749	180,113	Mid-2020	75
10	Jianfa • Xiyuan* (建發•璽院)	Land Parcel No. SN-B-(17-18), South Shui Area, Jian'ou City, Fujian Province, the PRC	Other common commodity housing, wholesale and retail, hoteling and catering	pre-sold	52,747	179,687	At the beginning of 2020	70
11	Guandi* (觀邸)	Land Parcel C, east of Changxing Road, Shaxian, Fujian Province, the PRC	Commercial services, wholesale and retail, hoteling and catering, commercial and finance, other commercial services, urban residential	pre-sold	41,936	116,447	By the end of 2019	51
12	Jianfa • Yangzhu (formerly Linghu Garden)* (建發•央著(原領湖花園))	Shanty Town Rebuilding Land Plot H2, south of the Residential Theme Park, Jin'an District, Fuzhou, Fujian Province, the PRC	Urban residential, wholesale and retail	pre-sold	55,489	184,278	Mid-2020	51.6

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2018 *(Continued)*

	Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
13	Jianfa & Rongqiao • Shanhai Daguan 01.03.04 (formerly Land Parcel No. 1.3.4 in Pukou, Lianjiang) (建發&融僑•山海大觀 01.03.04 (原連江浦口 1.3.4號地塊))	Land Parcels No. C24, C26, C36 in Songwu Village, Pukou Town, Lianjiang County, Fujian Province, the PRC	Urban residential, wholesale and retail	preliminary	90,802	228,680	Mid-2020	46.15
14	Jianfa • Xiyuan (formerly Donghu Fushan Yuyuan)* (建發•璽院(原東湖富山御苑))	East of National Highway 104, Sangang Industrial Park, Lianjiang County, Fujian Province, the PRC	Commercial and residential land	pre-sold	40,073	100,165	By the end of 2019	70
15	Jianfa • Yangzhu (formerly Yangzhu) (Phases I, II)* (建發• 央著(原央著) (一期、二期))	East of Yingri Road, north of Xuesong Road, Meixi Lake, Changsha City, Hunan Province, the PRC (Land Parcel No. B-39)	Residential	pre-sold	63,664	267,097	Mid-2019	100
	Jianfa • Yangzhu (formerly Yangzhu) (Phase III)* (建發• 央著(原央著) (三期))			preliminary	16,799	136,433	By the end of 2020	
16	Jianfa • Yangxi (formerly Zhongyang Shoufu)* (建發•央璽(原中央首府))	No. 100, Lushan Road, Yuhua District, Changsha City, Hunan Province, the PRC	Residential, commercial	pre-sold	25,043	163,522	By the end of 2019	100
17	Jianfa • Xiyuan (formerly Land Parcel No. 168 in Wuhan)* (建發•璽院(原武漢168號地塊))	East of Huashan Avenue, north of Dachangshan Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC	Urban residential	preliminary	68,315	148,133	Mid-2020	49
18	Jianfa • Yangyu (Phase II)* (建發•泱譽(二期))	South of Tiancheng Road, east of Zhenghui Road, High-speed Railway New City, Suzhou City, Jiangsu Province, the PRC	Urban residential, wholesale and retail	pre-sold	30,388	143,280	By the end of 2019	100
19	Jianfa • Dushuwan (formerly Dushuwan) (Phase III)* (建發•獨墅灣(原獨墅灣) (三期))	East of Dongfang Avenue, south of Shanghu Road, Wuzhong Economic Development Zone, Suzhou, Suzhou City, Jiangsu Province, the PRC (Land Parcel No. 2015-WG-27)	Wholesale and retail, urban residential	pre-sold	56,320	164,469	By the end of 2019	97.5
20	Jianfa & Yangguangcheng • Puyue (formerly Land Parcel No. 2017-79 of Suzhou Project in Xiang Cheng)* (建發&陽光城•璞悅(原蘇州項目相城地塊2017-79))	South of Xinyan Avenue, west of Yangcheng Road, Qutang Town, Suzhou City, Jiangsu Province, the PRC	Urban residential, commercial services	preliminary	22,256	63,941	By the end of 2019	55
21	Jianfa • Yulongwan (formerly Yulongwan)* (建發•御瓏灣(原御瓏灣))	Chengbei Community, Fanzhuang Community, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold (partial delivery of Phase I town houses)	191,347	594,449	Mid-2019	70
22	Tianxi* (天璽)	Xijiao Community, Qilimiao Village, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold	91,107	256,530	By the end of 2019	25

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2018 *(Continued)*

	Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
23	Jianfa • Yangyu (formerly Zhangdi Land Parcel No. 2012-A23-A-2)* (建發•泱譽 (原張地 2012-A23-A-2號地塊))	Minfeng Village, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold	69,858	191,028	By the end of 2019	100
24	Jianfa • Yangyu (formerly Taicang Jianjin)* (建發•泱譽 (原太倉建晉))	South of Suzhou Road, west of Xingye Road, Gaoxing District, Taicang City, Jiangsu Province, the PRC	Urban residential, commercial	preliminary	37,953	107,077	By the end of 2019	100
25	Jianfa • Yangzhu (formerly Taicang Jianjin)* (建發•泱著(原太倉建晉))	North of Luoyang East Road, west of Changsheng Road, Gaoxing District, Taicang City, Jiangsu Province, the PRC	Urban residential, commercial	pre-sold	47,984	150,263	Mid-2019	100
26	Duhuizhiguang (formerly Taicang Land Parcel No. WG2017-19-1)* (都會之光(原太倉WG 2017-19-1號地塊))	East of Dongjiang Road, north of Luoyang Road, Guoxing District, Taicang City, Jiangsu Province, the PRC	Urban residential	preliminary	52,932	139,563	At the beginning of 2020	30
27	Jianfa • Jiuliwan (formerly Wuxi Project No. 2016–31) (Phases I, II)* (建發•玖里灣(原無錫項目2016–31號) (一期、二期))	East of Shanhe Road, north of Hongye East Road, Xidong New City Business District, Wuxi City, Jiangsu Province, the PRC	Urban residential	pre-sold	124,695	346,857	By the end of 2019	100
	Jianfa • Jiuliwan (formerly Wuxi Project No. 2016–31) (Phases III, IV)* (建發•玖里灣(原無錫項目2016-31號) (三期、四期))			preliminary	71,719	154,895	Mid-2020	
28	Jianfa • Yangyu (formerly Lishui No. G19) (Phase I)* (建發•央譽(原溧水G19) (一期))	South of Xinzhuang Road, west of Xueli Road, Yongyang Street, Nanjing City, Jiangsu Province, the PRC	Urban residential, commercial services	preliminary	38,258	101,879	By the end of 2019	40
29	Jianfa • Guobinfu (formerly Nanjing Project No. 2017-G55)* (建發•國賓府(原南京項目 2017-G55號))	West of Zhixing Road, north of Pengshan Road, Gaoxinyuan, Jiangning District, Nanjing City, Jiangsu Province, the PRC	Urban residential, commercial services, business	preliminary	34,092	94,923	By the end of 2020	50
30	Sky of city* (天空之城)	Xindian Vehicle Base of Fuzhou Metro Line 1, located on the south side of Zhanban Road, Jin'an District, Fuzhou, Fujian Province, the PRC	Residential, commercial, transportation and public management, and public service	pre-sold	111,444	447,041	By the end of 2020	16.5
31	Jianfa • Xiyuan (formerly Wuyixi Land Parcel)* (建發•璽院 (原五一西地塊))	No. 100, Jinfu Road, Jiangnan District, Nanning City, Guangxi Province, the PRC	Urban residential, wholesale and retail	pre-sold	22,276	105,033	At the beginning of 2020	51
32	Jianfa • Jingyuexuan* (建發•璟悦軒)	North of Rongxing Road, east of Zhenming Road, Gongming Zhongxin District, Shenzhen City, Guangdong Province, the PRC	Apartments, commercial	preliminary	8,416	66,920	By the end of 2020	51
33	Xixi Yunlu* (西溪雲廬)	Northwest corner of the intersection of Planed Xilong Road and planed Zhechuang Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC	Urban residential	pre-sold	42,357	96,140	By the end of 2020	10.5

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2018 *(Continued)*

	Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
34	Yangyun Jingshe (formerly Qinglong Project)* (養雲靜舍(原慶隆項目))	Hangzheng Chuchu 2017 Land Parcel No. 27, Gongshu District, Hangzhou City, Zhejiang Province, the PRC	Urban residential	preliminary	15,160	46,120	Mid-2020	40.18
35	Jianfa • Xiyuan (formerly Land Reserve No. 2017-73 of Land and Reserve Bureau of Zhuhai)* (建發•璽院(原珠國土儲 2017-73))	West of Huxin Road, north side of Tengyi Road, Doumen District, Zhuhai City, Guangdong Province, the PRC	Urban residential,retail, public facilities, education, village roads	preliminary	47,364	121,978	At the beginning of 2020	100
36	Jianfa • Xiyuan* (建發•璽園)	East side of Huxin Road, Baiteng Lake, Doumen District, Zhuhai City, Guangdong Province, the PRC	Urban residential, retail	preliminary	26,707	59,697	At the beginning of 2020	51
37	Jianfa & Jiulongcang Yangxi (formerly Land Parcel No. 444 in Shitan Road)* (建發&九龍倉•央璽(原石潭路444號地塊))	No. 444, Shitan Road, Shijing Town, Baiyun District, Guangzhou City, Guangdong Province, the PRC	Urban residential	preliminary	45,559	200,555	Mid-2020	64
38	Jianfa•Yangzhu (建發• 央著)	Intersection of Jianping Avenue and Shuanglong Road, Western District Ecological City, Jianyang District, Nanping City, Fujian Province, the PRC (Land Parcel No. C07 of Western District Ecological City)	Urban residential	pre-sold	70,000	161,967	By the end of 2019	70
39	Jianfa•Xiyue * (建發•璽樾)	The northeast to the intersection of Chenggong Avenue and Jinshan West Road, 06–07 Fanghu Area* , Huli District, Xiamen, Fujian Province, the PRC (Land Plot no. 2018P02)	Urban residential,retail and commercial ,other commercial and service,educational use	preliminary	61,842	215,801	By the end of 2020	95
40	Land Parcel of No. 08 in Bihu, Zhangzhou* (漳州碧湖08地塊)	Land Parcel 06-2 west to the Bihu Biological Park, Longwen District, Zhangzhou City , Fujian Province, the PRC	Residential, commercial service	preliminary	37,141	117,658	At the beginning of 2021	70
41	Jianfa & Rongqiao • Shanhai Daguan 02 (formerly Land Parcel No. 2 in Pukou, Lianjiang)* (建發&融橋•山海大觀02 (原連江浦口2號地塊))	Songwu Village, Pukou County, Lianjiang, Fuzhou, Fujian Province, the PRC (Land Plot no. Lian Di Pai Mai (2018)02)	Urban residential	preliminary	69,982	155,196	By the end of 2021	55.58
42	Land Parcel No. 2018–19 in Putian* (莆田2018–19號地塊)	Yuhu Area, Licheng District, Putian City, Fujian Province, the PRC	Residential, service facilities	preliminary	54,977	189,579	By the end of 2020	100
43	Wuyi & Jianfa • Shanwaishan* (武夷&建發•山外山)	Ecological Tour & Economic Park, Wuyi Town, Wuyishan City, Fujian Province, the PRC	Catering and hotel, residential	preliminary	160,000	103,750	At the beginning of 2021	50
44	Jianfa & Jinmao • Xiyue (formerly Land Parcel No.2018P66 in Wuhan)* (建發&金茂•璽悅 (原武漢2018P66地塊))	Dahualing Village, Daqiao New District Office, Jiangxia District, Wuhan Municipal, Hubei Province, the PRC	Residential	preliminary	71,606	259,309	At the beginning of 2022	51
45	Australia Project	71 Windsor Road, Baulkham Hills, NSW 2153 Australia	Neighbourhood center, medium density residential, infracture (classified road)	preliminary	10,710	8,547	At the beginning of 2021	60